



Daily Report

China

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General

Russian Deputies React to U.S. Strike on Iraq

OW3006033093 Beijing XINHUA in English 0313
GMT 30 Jun 93

[Text] Moscow, June 29 (XINHUA)—Strong criticisms were expressed in Russia yesterday over the United States missile strike against Iraq in spite of official support from the government here for the action.

The Supreme Soviet, one of the parliament's two chambers, passed a resolution protesting against the raid, saying it "contradicts international law and revives the cult of force in international relations".

In their speeches, deputies criticized the Russian Foreign Ministry for supporting "U.S. international terrorist action."

The ministry issued a statement on Sunday [27 June] saying the missile attack on Iraq intelligence headquarters was justified as an act of self-defence.

The Soviet of Nationalities, another chamber of the parliament, is also due to vote on the matter.

Deputy Foreign Minister Anatoliy Akamishin said his ministry's position was related with the crisis in Kuwait which has not been solved. He accused Baghdad of continuing its policy of confronting the international community.

Meanwhile, Russian Vice President Aleksandr Rutskoy issued a statement on Monday, denouncing U.S. action as "a police action, overturning international norms of state behavior and violating the U.N. Charter."

The vice president blasted the Russian Foreign Ministry for supporting the attack, saying "once again Russia is bobbing along in the wake of U.S. policy, ignoring not only its own national interests but also renouncing any idea of morality or decency in foreign policy."

Several leading newspapers in Russia such as "IZVESTIYA," "KRASNAYA ZVEZDA" and "KOMSOROLOSKAYA PRAVDA" also carried out articles criticizing the U.S. action.

The newspapers held that the action had harmed both the prestige of the United States and the prestige of the international community. The confrontation between the United States and Iraq constituted a threat to the world, they added.

UN Security Council Votes on Bosnian Arms Ban

OW3006052593 Beijing XINHUA in English 0500
GMT 30 Jun 93

[Text] United Nations, June 29 (XINHUA)—The UN Security Council decided today after heated discussions not to lift the arms embargo against Bosnia-Herzegovina.

In a draft resolution presented for voting today, five non-aligned member countries in the Security Council, namely Cape Verde, Djibouti, Morocco, Pakistan and Venezuela, asked for the embargo to be lifted.

The result of voting by the 15 Council members was six votes for with nine abstentions, three votes less than the required votes for its adoption.

Representatives from Bosnia-Herzegovina and the other 17 non-aligned and Muslim countries were allowed to attend the Security Council meeting and make speeches in favour of lifting the embargo.

Among the non-sponsored countries in the Security Council, the United States was the only one which agreed to adopt the draft.

"In voting 'yes' on today's resolution, the United States reaffirms its belief that the Republic of Bosnia-Herzegovina, as a sovereign state and member of the United Nations, has a right to defend itself," the American Ambassador to the United Nations Madeleine K. Albright said after the voting.

The Bosnian Muslim government has repeatedly asked the international community to lift the arms embargo, so that it can be better armed against the well-equipped Bosnian Serbs and Croats.

The situation for Bosnian Muslims is worsening since the Serbian and Croatian militias, once bitter enemies, are fighting jointly against them in an effort to partition the country into three.

Being fearful of the Serbian military retaliation, Britain and France, which have peace-keeping forces in Bosnia, abstained from the voting.

The arms embargo "would more probably result in a deterioration of the situation and a collapse of the international and above all the United Nations' efforts to solve the crisis," the British representative, Sir David Hannay, said.

"Given Bosnia's geographical situation, it is simply not credible to believe that a relaxation of the arms embargo would result in the arms reaching only the Bosnian government forces," he added.

Speaking after abstaining from the voting, Chinese representative Li Zhaoxing said China fully understands the concern and anxiety shown by the non-aligned and Muslim countries over the destiny of the Republic of Bosnia-Herzegovina.

But China advocates "a negotiated political solution by peaceful means to the conflict in Bosnia and Herzegovina," Li added.

Castro Comments on U.S. Doctors Visiting Cuba

*OW3006015193 Beijing XINHUA in English 0128
GMT 30 Jun 93*

[Text] Havana, June 29 (XINHUA)—Cuban President Fidel Castro expressed his appreciation to the U.S. Government for allowing a group of American doctors to go to Cuba to deal with an epidemic of optical neuropathy plaguing the country, calling it a "positive" step.

Castro made the remark on Monday [28 June], when opening the first session of the fourth legislature of the National Assembly of People's Power (parliament).

He said several U.S. doctors arrived here on Monday morning to help the Cuban Government fight the ailment which now affects more than 38,000 Cubans.

The doctors brought with them donations worth 200,000 U.S. dollars, including two sets of diagnostic equipment and one million vitamin B tablets.

The doctors belong to the "U.S.-Cuba Medical Project," a humanitarian initiative which opposes a U.S. blockade against the island nation imposed over three decades ago.

The Cuban leader also talked about how the blockade has brought about serious damage to the island.

He complained that the U.S. Government puts undue pressure on countries, companies and individuals to the point of discouraging nine of every 10 businessmen who are interested in trading with Cuba.

However, he said, the new U.S. Administration is not as hostile and aggressive as was the previous one.

Rong Yiren Receives Five Outgoing Ambassadors

*OW2906065493 Beijing XINHUA in English 0615
GMT 29 Jun 93*

[Text] Beijing, June 29 (XINHUA)—Chinese Vice-President Rong Yiren met with five outgoing foreign ambassadors to China here this morning.

They were Iraqi Ambassador Muhammad Amin Ahmad al-Jaff, Qatar Ambassador Muhammad Sa'd al-Fuhayd, Sudanese Ambassador Anwar Elhadi [name as received], Belgian Ambassador Willy de Valck, and Israeli Ambassador Ze'ev Sufot.

United States & Canada**Qian Qichen Receives Ex-Vice President Quayle**

*OW2606120593 Beijing XINHUA in English 1129
GMT 26 Jun 93*

[Text] Beijing, June 26 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen met and exchanged views here today with Dan Quayle, visiting

former vice-president of the United States, on bilateral relations and major international issues of common interest.

This is Quayle's first visit to China.

After the meeting, Qian gave a dinner in honor of Quayle and his party.

Chinese Vice-Minister of Foreign Affairs Liu Huaqiu and U.S. Ambassador to China J. Stapleton Roy were present on both occasions.

Quayle and his party arrived here this afternoon for a goodwill visit to China at the invitation of the Chinese Ministry of Foreign Affairs.

Jiang Zemin Meets Quayle

*OW2806130793 Beijing XINHUA in English 1228
GMT 28 Jun 93*

[Text] Beijing, June 28 (XINHUA)—Chinese President Jiang Zemin met and exchanged views with Dan Quayle, visiting former vice-president of the United States, on bilateral relations and major international issues of common interest here this afternoon. Extending his warm welcome to Quayle, Jiang appreciated his efforts to safeguard and develop the relations between the two countries when he served as U.S. vice-president.

Official sources quoted Jiang as saying that over the past few years tremendous changes have taken place in the international situation, but they have not weakened the importance of Sino-U.S. relations.

On the contrary, he said, it is badly needed that the two countries should enhance cooperation in a wider range of areas.

Taking the interests of bilateral relations into account, Jiang said the two sides should be far-sighted enough to administer Sino-U.S. relations and handle the problems existing between the two countries in a practical spirit.

During the one-hour meeting, Quayle said the American people hope to improve and develop their relations with China.

Both countries should strengthen cooperation and play important roles in safeguarding world peace and stability, he said.

This morning, Chinese Vice-Premier Zhu Rongji met with Quayle here.

U.S.-PRC Joint College Names Honorary Head

*OW3006024093 Beijing XINHUA in English 0219
GMT 30 Jun 93*

[Text] Chongqing, June 30 (XINHUA)—A Sino-U.S. joint college has been launched in Chongqing city in southwest China's Sichuan Province.

The Stilwell School of International Studies is sponsored by Joseph Stilwell Center under the foreign affairs office of the Chongqing municipal government, the Sichuan Institute of Foreign Languages, one of the oldest linguistic colleges in China, and the Boston-based Suffolk University, [and] is recruiting students from throughout the country.

After two years' study in Chongqing and earning 62 credit hours from 16 courses, students from the new school may enter Suffolk University. They can obtain bachelor degrees in the arts and sciences in the United States.

Unlike most state-funded Chinese universities, no free tuition and no state-assigned jobs are offered at Stilwell School. There are scholarships available for outstanding students.

Lan Renzhe, president of the school, says Chongqing is trying to explore new ways of fostering specialized personnel through cooperation with foreign universities.

Xiao Yang, governor of Sichuan, serves as honorary president of the new school.

PRC-Related Firm Listed on U.S. Stock Market

*OW2906210093 Beijing XINHUA in English 2000
GMT 29 Jun 93*

[Text] New York, June 29 (XINHUA)—Ek Chor China Motorcycle Co. Ltd. announced Tuesday [29 June] the initial public offering of 4,420,000 shares of common stock at 21 dollars a share on the U.S. stock market.

The shares are being offered through an underwriting syndicate managed by Bear, Stearns & Co. Inc. and will be traded on the New York Stock Exchange.

Ek Chor China Motorcycle is a Bermuda corporation which owns interests in and actively manages four Sino-foreign joint ventures in China: Shanghai-Ek Chor Motorcycle Co. Ltd. and Luoyang Northern Ek Chor Motorcycle Co. Ltd., two major manufacturers of motorcycles in China; Shanghai-Ek Chor General Machinery Co. Ltd., a leading maker of automotive air conditioner compressors in China; and Zhanjiang Deni Carburetor Co. Ltd., which is engaged in the design, manufacture and sale of motorcycle and automotive carburetors.

Of the 4,420,000 shares of Ek Chor China Motorcycle included in the offering, 3,632,000 shares are new shares being offered by Ek Chor China Motorcycle and 788,000 shares are being offered by C.P. Pokphand Co. Ltd., 98 percent shareholder of Ek Chor China Motorcycle prior to the offering. Following the offering Pokphand will own approximately 72 percent of Ek Chor China Motorcycle.

Editorial on U.S. Human Rights 'Double Standard'

*HK2906053093 Hong Kong WEN WEI PO in Chinese
29 Jun 93 p 2*

[Editorial: "The United States Cannot Hold Its Ground in Hindering China's Bid To Host the Olympic Games"]

[Text] China has a population of 1.1 billion, one-fifth of the world's total, yet it has never hosted the Olympic games. China has won extensive support from people throughout the country for Beijing's bid to host the 2000 Olympic games; one mainland survey indicated a support level of 90 percent. Chinese from Taiwan, Hong Kong, Macao, and other countries have also shown their great enthusiasm for China's bid. Like other countries, China is capable of hosting the Olympic games well. The Chinese people want to see the sacred flame of the Olympics burning on their land. China did not have the conditions to host the Olympic games in the past. As China now stands among the family of nations, it should have the right to host the Olympic games. Many countries, including those in Asia, have backed Beijing's bid for the 2000 Olympic games and have voiced their support, saying: "Give China a chance."

In selecting the host country, the Olympic Committee must consider the country's sports situation, its ability to host the games, the positive influence resulting from hosting the games, and other factors, and it must then let the 91 members decide by vote. The committee has always opposed political interference in sports. As a matter of fact, the United States and the Soviet Union boycotted the Olympic games in 1980 and 1984, respectively, for political reasons, which caused tremendous losses to the Olympics and the athletes of these countries.

The U.S. Congress has defied world opinion in brazenly exerting political pressure on the Olympic Committee and hindering China's bid to host the 2000 Olympic games. The reason behind the United States' behavior is the so-called question of "human rights."

The political interference of the U.S. Congress has drawn criticism from the member nations of the Olympic Committee. Even the president of the U.S. Olympic Committee believed that the U.S. Congress had gone too far. He said that he would persuade Congress to give up such meddling. The United States is not the overlord of the Olympic Committee, nor should it brandish the baton to press the Olympic Committee to change its selection criteria. This U.S. move has trampled on the independence of the International Olympic Committee. It has also enabled the world to see the United States' imperious and unreasonable nature, a country which imposes its criteria for right and wrong on other countries and even international sports organizations. How can sports issues be decided by U.S.-style power politics?

The United States is currently planning the 1996 Olympic games. If a host country is selected on the basis of human rights, it would be questionable whether the

United States itself qualifies. It is obvious to the world that the U.S. court openly announced that the United States has the right to kidnap hostages from other countries to face trial in America and that U.S. agents can enter another country at any time. The United States has become the global policeman. Even its neighbors, Canada and Mexico, have lodged protests against the United States for infringing on human rights across the border.

The United States continued to send troops abroad, launched offensives against Grenada and Panama, attacked residential districts, and cruelly killed innocent people with modern weapons. The U.S. Air Force launches long-range missiles, which protect the lives of its pilots. The civilians' right to subsistence is sacrificed, however.

The U.S. aggression in Vietnam resulted in the problem of Vietnamese refugees. Under the excuse of "protecting human rights," the United States forced Hong Kong to take the responsibility of being the "first port for accepting the refugees" and did not permit Hong Kong to repatriate them. As a result, the 6 million Hong Kong people bore tremendous economic and psychological pressure. When Haitian people flowed to the United States in large numbers, however, the United States no longer wanted to protect human rights. Instead, they dispatched naval forces to intercept the refugees at sea and immediately repatriate them.

The United States also practices a double standard on human rights at home. The Los Angeles race riots triggered by the case of white policemen beating a black motorist demonstrate that the U.S. courts do not protect the human rights of black people. Approximately 75 percent of the prisoners in the United States are black. The United States openly exports goods manufactured in its prisons to the international market. The United States does not maintain that these constitute a violation of human rights, however, because it believes that human rights is simply not an issue in the country. The U.S. blue paper on human rights criticized the human rights records of more than 100 countries but did not contain a single word about human rights in the United States.

If other countries challenge the United States on its human rights record, it will be impossible for Atlanta to host the Olympic games. The double standard adopted by the United States shows that its use of human rights as an excuse to hinder China's bid to host the Olympic games is hardly tenable.

Northeast Asia

ROK Friendship Association Founded in Beijing

*OW2906142193 Beijing XINHUA in English 1345
GMT 29 Jun 93*

[Text] Beijing, June 29 (XINHUA)—The China-Republic of Korea Friendship Association was officially founded here today.

The new organization is aimed at enhancing friendship and understanding and promoting exchanges and cooperation between the peoples of the two countries, which established diplomatic ties in August, 1992.

Zhu Muzhi has become the group's chairman.

Vice-Chairman of the Chinese National People's Congress Standing Committee Cheng Siyuan, Chairman of the Chinese People's Association for Friendship With Foreign Countries Han Xu, and Ambassador of the Republic of Korea to China Hwang Pyong-tae attended a reception held here this evening to mark the association's founding.

Japanese Marine Optical Cable Venture Proceeds

*OW2806152393 Beijing XINHUA in English 1457
GMT 28 Jun 93*

[Text] Shanghai, June 28 (XINHUA)—A China marine cable company ship has completed the laying of optical marine cable belonging to the Chinese side and started laying work in the direction of Japan today.

The stretch on the Chinese side, covering 80 km on land and 40 km on the sea bed, is one part of the 1,260-km optical marine cable project between China and Japan.

The project will introduce advanced and large-capacity cable technology in the 1990s. It can carry 7,560 international lines at the same time. The capacity is 16 times that of the current cable between Japan and China, which was completed in 1976.

With the help of the new project, China will be included in the International Optical Cable Telecommunications Network for the first time by entering communications networks in Japan and the United States.

Officials with the Shanghai Posts and Telecommunications Administration said the project is expected to be completed by the end of August.

Hunan Governor Meets Japanese Delegation

HK2606061293 Changsha Hunan People's Radio Network in Mandarin 2300 GMT 23 Jun 93

[Text] On the afternoon of 23 June, Governor Chen Bangzhu and Yang Minzhi, adviser to the Hunan People's Association for Friendship with Foreign Countries, met at the Furong Hotel with a Japanese friendship exchange delegation from (Zihe) Prefecture, headed by (Masamura).

Chen Bangzhu and Yang Minzhi extended a warm welcome over the visit by their Japanese guests. Governor Chen Bangzhu indicated that he went to Japan not long ago to attend a celebration ceremony marking the 10th anniversary of the establishment of ties between Hunan Province and (Zihe) Prefecture. During the meeting, he extended thanks to friends in (Zihe) Prefecture for their considerate arrangements and warm reception during his visit, and he told his guests that he felt

very happy today to meet old friends again. He also expressed hope that Hunan and (Zihe) can carry out more substantive exchanges.

In addition, Governor Chen also had friendly talks with the delegation on the exchange of postgraduate students between Hunan and (Zihe).

(Masamura) and his party are scheduled to visit Yueyang city today in the company of comrades from the Foreign Affairs Office of the provincial government.

Southeast Asia & Pacific

PRC, SRV Agree To Fight Gun, Drug Smuggling

HK2906071393 Hong Kong WEN WEI PO in Chinese
27 Jun 93 p 2

[Report by staff trainee reporter Li Hsiao-ping (2621 4562 0393): "China and Vietnam Strengthen Border Cooperation To Counter Arms and Drug Trafficking"]

[Text] Beijing, 26 Jun (WEN WEI PO)—When meeting a delegation from Hong Kong's "Meeting Point" visiting Beijing today, Zhu Entao, director of the Foreign Affairs Bureau under the Ministry of Public Security and director of the National Control Bureau under the International Criminal Police Organization, revealed: A few days ago, the Chinese and Vietnamese police agreed to strengthen cooperation and to solve the problems of gunrunning and drug trafficking.

Zhu Entao stated that recently he visited Vietnam and discussed with the Vietnamese police the issue of strengthening border operations. Both sides expressed sincerity in solving the problems of gunrunning and drug trafficking. He held that the general public security situation in Hong Kong was fine. According to the figures provided by Li Kwan-ha, Hong Kong commissioner of police, from last year to the first quarter of this year the number of criminal cases dropped by 5 percent, that of violence-related criminal cases fell by 23 percent, and that of gun-related criminal cases was down by 25 percent. Nevertheless, cases involving the use of guns in Hong Kong currently are still relatively numerous. Gunrunning carried out via land and sea routes to Hong Kong from China's southern neighboring countries has occurred now and then. Zhu Entao said: To maintain its public order, not only should Hong Kong rely on the efforts of its police and residents, but the mainland police should also have responsibility in that area. In the past, we have taken measures to check the momentum of gun smuggling to Hong Kong, and during my recent visit to Vietnam I specially discussed this issue. Both sides expressed readiness to strengthen cooperation.

In talking about the issue of border drug trafficking, Zhu Entao said: Drugs on the mainland come mainly from the "Golden Triangle." The more than 4,000 kg each of opium and heroin seized last year was smuggled to the

mainland from foreign countries. He stressed: The Chinese side's position on fighting drugs is very firm and severe. According to the provisions of the law, trafficking 50 grams of heroin makes one liable to the death sentence.

On the phenomenon of smuggling illegal aliens along the coastline, Zhu Entao said: Illegal immigration is an international issue. There are cases of illegal migration by Chinese citizens, but the situation is not as serious as reported by some newspapers. He pointed out: The Chinese side firmly cracks down on illegal migration and has taken powerful and decisive measures to guard against illegal migration and to carry out repatriation work. The mainland and Hong Kong have cooperated fairly well in this regard. Hence, the number of illegal immigrants to Hong Kong has grown relatively slowly. Zhu Entao said: On the mainland there are no underground criminal societies at present, but there are criminal gangs of a triad nature. Some criminals have connections with the underground criminal societies in Hong Kong. They are engaged mainly in criminal activities in the economic sector. He reaffirmed. The Chinese side's position on cracking down on underground criminal societies is very firm and consistent.

Shandong Delegation Leaves Singapore for Malaysia

SK2906091493 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 28 Jun 93

[Text] On the afternoon of 28 June, the Shandong Provincial Government delegation led by Governor Zhao Zhihao left Singapore for Malaysia to continue its friendly visit.

During the past two days, Governor Zhao Zhihao and members of the provincial government delegation successively visited the Chinese Embassy in Malaysia, the (Shengtaosa) Administrative Bureau, the Economic Development Bureau, the Tourist Promotion Bureau, the Subway Train Management Bureau, the Port Administrative Bureau, and the Civil Aviation Bureau. They also held earnest talks with the Singapore side on further strengthening cooperation and exchanges between Shandong and Singapore. They additionally visited the subway trains, the seaports, and the (Zhangyu) aviation city of Singapore.

When Zhao Zhihao and the provincial government delegation led by him left Singapore, (Chen Yuansheng), secretary of government affairs of the Singapore prime minister's official residence, saw them off at the airport.

Shandong's Li Chunting Meets Australian Legislator

SK2906091893 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 28 Jun 93

[Text] Li Chunting, deputy secretary of the provincial party committee and vice provincial governor, and Song

Fatang, vice provincial governor, respectively, met with (Adike Fenqidibo), member of the parliament of the Commonwealth of Australia, and his entourage in Qingdao on 28 June.

During the meeting, Li Chunling and Song Fatang briefed the Australian guests on Shandong's economic development and the status of the 1993 China Qingdao Foreign Economic and Trade Symposium, and wished them a successful visit in Shandong.

(Adike Fenqidibo), member of the parliament of the Commonwealth of Australia, and his entourage, after inspecting Qingdao and participating in the foundation stone-laying ceremony of the (Bihai) Garden, which is a Chinese-Australian project, will also go to Yantai to inspect the investment environment.

Near East & South Asia

PRC, India Agree on Confidence-Building Steps

*OW2806160893 Beijing XINHUA in English 1552
GMT 28 Jun 93*

[Text] New Delhi, June 28 (XINHUA)—China and India agreed to take additional confidence-building measures during the sixth meeting of the joint working group (JWG) on the boundary question which concluded here today.

This was announced at a press conference by Indian Foreign Secretary J.N. Dixit who headed the Indian delegation to the four-day meeting.

The additional measures include mutual transparency about the location of military positions and making information available to both sides about military activities along the line of actual control (LAC), he said.

The two sides also agreed on opening one more trade point on the Sino-Indian border.

The meeting reviewed the implementation of the confidence-building measures agreed upon during the late Indian Prime Minister Rajiv Gandhi's visit to China and Chinese Premier Li Peng's visit to India.

These measures about interaction between forward posts and discussions between field commanders at two designated places are being implemented satisfactorily, Dixit said.

He said that the situation on the line of actual control has been tranquil due to continuous interaction between the Indian and Chinese Governments at various levels.

The two countries will find subject for discussion on "the basic principles of mutual understanding, mutual accommodation and mutual adjustment" which were formulated for solving the boundary question, the Indian foreign secretary said.

It was agreed that a step-by-step approach will be adopted by both sides to stabilize the situation along the line of actual control, he said.

The two sides also agreed that JWG meeting, which started in 1988, should be held more frequently instead of once every year. The next meeting will be held in Beijing earlier next year.

Iraqi Official Arrives To Discuss Ties, U.S.

JN3006102893 Baghdad INA in Arabic 0950 GMT 30 Jun 93

[Text] Beijing, 30 Jun (INA)—Sa'd 'Abd-al-Majid al-Faysal, senior undersecretary at the [Iraqi] Foreign Ministry, arrived in Beijing last night on a several-day visit to China.

Al-Faysal and his accompanying delegation will hold talks with Chinese officials on bilateral relations, international issues of mutual interest, and the recent U.S. missile aggression against Baghdad.

Reportage on Li Lanqing's Middle Eastern Tour

Meets Kuwaiti Leaders

HK3006063793 Beijing XINHUA Domestic Service in Chinese 0122 GMT 24 Jun 93

[By reporter Ding Wen (0002 2429): "Kuwaiti State Leaders Meet Li Lanqing"]

[Text] Kuwait, 23 Jun (XINHUA)—Kuwaiti Amir Jabir al-Sabah and other state leaders met Chinese Vice Premier Li Lanqing here this morning.

At the meeting, the Kuwaiti amir pointed out: Since the founding of diplomatic relations, the friendly and cooperative relations between Kuwait and China have developed continuously. He said: Following the war, Kuwait is undergoing reconstruction. China's companies have great potential, and they can cooperate more closely with Kuwait in construction projects to achieve common interests.

At the meeting, Li Lanqing praised highly the achievements scored by the Kuwaiti people under the leadership of his highness and the Kuwaiti Government in defending their national independence and territorial integrity, opposing outside intrusion, and rebuilding the country.

Moreover, when meeting Vice Premier Li Lanqing today, Sa'ad al-Sabah, Kuwaiti heir apparent and concurrently prime minister, stressed: Mutual visits by leaders of the two countries will help promote the development of the friendly and cooperative relations between Kuwait and China. He said: Kuwait has a strong desire to strengthen its relations with China, and he pointed out: The two countries can cooperate with each other in various fields of endeavor. Chinese companies have the ability to participate in Kuwait's reconstruction

projects. China and Kuwait can cooperate not only in each other's countries but also in third countries.

Sabah al-Ahmad, Kuwait's first deputy prime minister and concurrently foreign minister, and Oil Minister al-Baghi also met Li Lanqing.

The senior Chinese Government delegation led by Li Lanqing arrived in Kuwait on 21 June for a visit.

Holds Talks in Saudi Arabia

OW3006111093 Beijing XINHUA Domestic Service in Chinese 0311 GMT 27 Jun 93

[Text] Jeddah, 26 Jun (XINHUA)—Prince Sultan Bin-'Abd-al-'Aziz Al Sa'ud, second deputy prime minister of Saudi Arabia and minister of defense and aviation, this afternoon met visiting Chinese Vice Premier Li Lanqing and members of the Chinese Government delegation.

Prince Sultan extended his welcome to Vice Premier Li and said: Saudi Arabia is willing to further develop economic and trade cooperation relations with China.

Li Lanqing conveyed the regards of Chinese leaders to Prince Sultan and gave a briefing on China's overall situation and its policies on economic and trade development. He welcomed investment by Saudi Arabia and the establishment of joint ventures or wholly owned enterprises in China.

Prince Sultan said that the Saudi side was willing to strengthen its economic and trade cooperation with China. At the meeting, the host and guests also exchanged opinions on issues of common concern and interest.

Prior to the meeting, Commerce Minister Sulayman 'Abd-al-'Aziz al-Sulayyim called on Vice Premier Li. Both sides exchanged opinions on issues concerning the further strengthening of economic and trade cooperation.

Vice Premier Li Lanqing and the Chinese Government delegation led by him arrived in a special Saudi Arabian plane this morning from Kuwait to begin a two-day visit to the Kingdom.

Meets Amir of Bahrain

OW2806223793 Beijing XINHUA in English 2114 GMT 28 Jun 93

[Text] Manama, June 28 (XINHUA)—Bahrain Amir Shaykh 'Isa Bin-Salman Al Khalifah met here today with visiting Chinese Vice-Premier Li Lanqing, expressing satisfaction with the growing Bahrain-Chinese friendly relations and cooperation.

During their conversation, the amir described such ties as "very good," saying that he hopes they will be expanded further.

He also spoke highly of China's consistent stand of supporting the Arab people's just cause. The Bahrain

Government will help and support the implementation of the agreements between China and Bahrain on strengthening economic, trade and technological cooperation.

The Chinese vice-premier conveyed to the amir Chinese President Jiang Zemin's regards and invitation for the amir to visit China.

Li also termed the bilateral relations as "very good." He said the two countries have common languages on international issues, China stands for the peaceful solution of the Middle East question, is concerned about the security and stability of the Gulf region, and maintains that the regional disputes should be solved through peaceful means.

This morning, Li met on separate occasions with Bahrain Minister for Development and Industry Yusuf Ahmad Al-Shirawi and Minister for Agriculture Habib Qasim.

He also attended a ceremony for signing a summary of minutes of a meeting of the two countries' mixed committee of economic, trade and technological cooperation.

The Chinese vice-premier and his delegation arrived here Sunday [27 June] evening after visiting Kuwait and Saudi Arabia.

West Europe

Portugal's Soares Discusses Bilateral Ties

OW2706054093 Beijing XINHUA Domestic Service in Chinese 0704 GMT 11 Jun 93

[By reporter Chen Jiaying (7115 1367 3841)]

[Text] Lisbon, 10 Jun (XINHUA)—Portuguese President Mario Alberto Soares today expressed his hope that Sino-Portuguese relations would experience greater development in the future than they had at any time in the past.

Mario Alberto Soares made the above remarks to this reporter after a ceremony marking "Portugal Day." He said: China is a great power with a civilization dating back several thousand years. Portugal eagerly hopes to develop all aspects of relations between the two countries.

Mario Alberto Soares said: China will resume its exercise of sovereignty over Macao. During Macao's transition period, the two countries will maintain a good relationship based on mutual understanding and cooperation.

UK Joint Ventures To Prospect for Jiangsu Oil

*OW2506042893 Beijing XINHUA in English 0355
GMT 25 Jun 93*

[Text] Nanjing, June 25 (XINHUA)—Sino-British companies are preparing to prospect for oil in north Jiangsu Province with the approval of the central government.

It will be the first Sino-foreign oil prospecting program in the East China province.

A survey report shows that 250 oil deposits have been located across an area of 2,000 square kilometers in north Jiangsu.

According to a contract signed by the China National Oil and Gas Exploration and Development Corporation and the Shell Group of Britain, the British company will carry the risk in prospecting and sinking wells in cooperation with Chinese partners.

The Chinese side will hold 51 percent of the shares and the British 49 percent.

The oil prospecting licence is for seven years and [for] sinking wells [for] 15 years over an 8,930 square kilometer area covering Yancheng, Nantong and Yangzhou cities.

Seismic prospecting will begin in September this year.

Yang Xiaotang, deputy governor of Jiangsu Province, has urged localities to support the project which is expected to help boost the provincial economy.

'News Analysis' on Belgium's Leadership of EC

*OW3006052793 Beijing XINHUA in English 0452
GMT 30 Jun 93*

[News analysis by Kang Xinwen: "Can Belgium Keep EC From Crumbling?"]

[Text] Brussels, June 29 (XINHUA)—After it takes over the European Community's rotating presidency from Denmark on Thursday [1 July], can Belgium keep the crisis-hit EC from crumbling?

Optimists may say that Belgium will awaken the EC from a nightmare of 12 months and help it win fresh support from its citizens.

Conservatives say that it is possible that Belgium will be able to help the EC overcome the economic crisis and set out on a smooth path to the construction of European integration, but it would, nonetheless, be unwise to put too high expectations on this.

As an active supporter of the Maastricht treaty and European integration, Belgium might do well in these respects. Under the Belgian presidency, Britain could finally ratify the treaty and therefore it could be brought into force throughout the Community.

Denmark's "no" to the treaty in the first referendum on June 2, last year put the construction of European integration into a deadlock. Heated debate on the document is still in full swing in Britain and a final British approval is still awaited.

Nonetheless, Denmark eventually approved the treaty with a majority vote of 56.8 percent in the second referendum on May 18. This not only removes one obstacle to building European integration but also urges Britain to agree to it.

Western observers predict that Britain will approve the treaty in the end to avoid economic isolation and a premature end of the just beginning economic up-turn.

So far, all the other EC members apart from Britain have approved the document.

Analysts say that with British approval for the Maastricht treaty, Belgium as the EC president would push forward the convening of a special summit in October to pave the way for building European integration, especially in the economic and monetary senses, and therefore ensure that the embryo of a European central bank will operate as from January 1, 1994.

However, Belgium will certainly find it a thorny task to promote an EC economic renaissance and reduce the jobless rate.

Following Britain's economic recession in 1987, all the other EC members fell into the snare of the slump.

The latest EC economic forecast in June stated that the Community's growth for 1993 would drop to zero and even decrease by 0.5 to 0.75 percent—the worst record since the end of the Second World War.

As a result of the recession, the EC unemployment rate has been on the rise. It is estimated that up to this May, the average jobless rate within the Community has reached 10.5 percent with an unemployed population of 17.5 million. In 1994, the unemployment rate is expected to climb to 12 percent, with 20 million people out of work.

Faced with the grave economic and employment situation, the EC added 3.6 billion U.S. dollars to its investment in small and medium sized enterprises and infrastructure construction, but did nothing to adjust and reform the labor market and industrial structure, before final approval of the Maastricht treaty.

With British approval for the treaty, Belgium will promote the EC to take a series of measures, including industrial structure adjustment, labor market reforms and bank interest rates reduction, to stimulate the economy and resolve unemployment.

But, Belgium is neither Germany nor France who are both economically powerful, so its influence in the EC is limited. No one should place great expectations on Belgium to drive the EC out of economic recession.

Belgian Foreign Minister Willy Claes recently commented that he was "astonished" at people's high expectations for Belgium—the EC's new president.

East Europe

Poland's Goryszewski Visits Shanghai; Departs

OW2906143393 Beijing XINHUA in English 1337
GMT 29 Jun 93

[Text] Shanghai, June 29 (XINHUA)—Visiting Polish Deputy Prime Minister Henryk Goryszewski said here today that he would like to expand Polish-Chinese cooperation in such fields as the economy and culture, and added that he hopes more and more Polish entrepreneurs will invest in Shanghai.

Goryszewski made the remarks when he met with Huang Ju, mayor of Shanghai.

The Polish leader said that although this is his first visit to Shanghai, he has found that the city is undertaking tremendous economic reforms.

During today's meeting, Huang said that Shanghai treasures very much its friendship with Poland, and added that he was convinced the current visit of Goryszewski will promote cooperation.

Shanghai's development, especially in the Pudong Development Zone, has attracted increasing foreign investment, Huang said.

Last year, foreign investment in Shanghai reached 3.45 billion dollars, equalling the total of the last 12 years.

Furthermore, foreign investment Shanghai has absorbed from January to May of this year has surpassed last year's total.

During his stay here, Goryszewski also paid a visit to a Chinese-Polish Joint Stock Shipping Company, a Sino-Polish joint venture and the Shanghai Stock Exchange.

The deputy prime minister and his party left Shanghai for home tonight.

Czech Minister Stops in Guangzhou Due to Typhoon

AU2906132493 Prague CTK in English 1753 GMT 27 Jun 93

[Text] Guangzhou, June 27 (CTK correspondent)—Typhoon today forced Czech Foreign Minister Josef Zieleniec to interrupt his journey from Seoul to Hong Kong and land in Guangzhou instead.

Zieleniec, accompanied by twenty leading managers, is currently touring five Asian countries. He had visited India, China and South Korea. He is still to visit Hong Kong and Singapore.

Martin Povejsil, head of the Czech Foreign Ministry Asian, African and Latin American Department, said today that the information on nuclear technology, which Czechoslovakia had supplied to North Korea before 1988, was only of scientific-technological nature.

In his talks with South Korean President Kim Yong-sam on Saturday [26 June], Zieleniec said that as an expression of Czech support for the Seoul government's effort to avert the danger of production of the atomic bomb by North Korea, the Czech Republic would transfer the material to South Korea if necessary.

[Prague MLADA FRONTA DNES in Czech on 28 June on page 8 carries a 400-word Vilim Buchert Guangzhou report on the interruption of Zieleniec's Asian trip. According to the report, the decision to interrupt the trip was "preceded by a few dramatic moments." After the aircraft's landing at Guangzhou, "for almost three hours the Chinese authorities refused to permit passengers to disembark from the aircraft, which was standing on the glowing runway in 30-degree [Celsius] heat, despite the Czech minister's presence on board. The disembarkation was followed by complicated talks about whether the passengers would be allowed to leave the premises of the airport. After six hours of waiting, they were finally taken to a local hotel. The incident demonstrated that communist China, which is so fond of speaking about opening itself up to the world, is unable to cope with complicated situations at local level, even when the representative of a foreign government is involved."]

Foreign Ministry's Wu Jianmin Visits Romania

OW3006033393 Beijing XINHUA in English 0316
GMT 30 Jun 93

[Text] Bucharest, June 29 (XINHUA)—Adrian Nastase, president of the Romanian Chamber of Deputies, today urged closer economic cooperation between China and Romania.

In a meeting with Wu Jianmin, head of the Chinese Foreign Ministry's Information Department, Nastase said trade cooperation between the two countries has potential for great development.

Wu briefed members of the Romanian Parliament this morning on the current Chinese efforts at reform.

Bosnian Presidency To Map Out New Peace Plan

*OW3006062793 Beijing XINHUA in English 0600
GMT 30 Jun 93*

[Text] Belgrade, June 29 (XINHUA)—The 10-member Bosnian Presidency, in its first plenary session in Sarajevo since civil war broke out in Bosnia-Herzegovina, today decided to map out a new peace plan.

The presidency discussed the situation in the area and proposals put forward by Serbia and Croatia to divide Bosnia into three separate entities.

The session decided to form a group made up of three presidency members to map out the new peace plan.

The presidency stressed in a statement that the body would provide collective leadership and that its meetings would be held wholly within Bosnian territory.

TANJUG news agency of the Federal Republic of Yugoslavia reported that the collective presidency was divided over ways to solve the Bosnian crisis.

Seven members went to Geneva last week to take part in a meeting proposed by Serbia and Croatia to turn Bosnia-Herzegovina into a confederation of three states based along ethnic lines, while President Alija Izetbegovic continues to oppose the partitioning.

Political & Social

Deng Xiaoping Suffers 'Serious Renal Failure'

HK3006035193 Hong Kong LIEN HO PAO in Chinese
30 Jun 93 p 2

[Report from Taipei by reporter Hsieh Kung-ping (6200 0361 4426): "Taipei National Security Bureau Report Says Deng Xiaoping Suffers From Serious Renal Failure"]

[Text] According to a relevant source, in a routine written report on the mainland situation delivered to the Research Committee of the National Reunification Committee yesterday, Sung Hsin-lien, head of Taipei's National Security Bureau, expounded on the possible influence of CPC supreme leader Deng Xiaoping's renal failure on developments on the two sides of the strait.

The participants in the meeting could not help smiling after reading the written report. One of them said: According to the written report, Deng Xiaoping is now suffering from very serious renal failure and his health is maintained entirely by Qigong [traditional Chinese medicine] and medicine. Although Deng Xiaoping continuously receives dialysis, it is still necessary for Taipei to study what the other side is doing. Judging from the CPC's fraudulent nature for a long time in the past when dealing with relations with Taiwan, the good intentions it shows may not be genuine. In his written report, Sung Hsin-lien said: The CPC is currently employing against Taiwan a united front tactic which is characterized by "one country, two systems," "making use of civilians to force officials, and conquering the political field by means of commerce." What the CPC wants is no more than to consolidate its political power and scramble for power with one another.

Article Discusses 'Unsubtle Critique' of Deng

HK3006053593 Hong Kong SOUTH CHINA MORNING POST in English 30 Jun 93 p 15

[Article by Willy Wo-lap Lam: "The Lion in Winter Faces Poison-Pen Rebellion"]

[Text] The surest indication of the health—political or otherwise—of Deng Xiaoping is not the periodic disclaimers of his impending death put out by aides and offspring. It is whether the 88-year-old still has that fire in the belly to pummel opponents and infidels. Strange tales out of Beijing in the past few weeks have shown the flame is flickering. Uncharacteristically, the New Helmsman, who has come back three times from disgrace, seems unable to summon the energy to fight the darkness.

That the lion in winter has begun to suffer the tribulations of fate and adverse times is evident from an intriguing spate of articles in the official press notable for their most unsubtle critique of "the little man who will not be put down".

If the patriarch still has what it takes, how could he have put up with pieces like A Peasant's Article, which appeared in last month's issue of the journal Study, Research, Reference? Purportedly a message from a dispossessed peasant in Jiangsu Province, the article is a ferocious attack on Mr Deng's entire reform enterprise, saying "China's Gorbachev" would precipitate the disintegration of the socialist state much the same way as the Soviet president.

The leftist ideologues behind the diatribe begin by lambasting the household responsibility system, the cornerstone of Mr Deng's agrarian reforms. They argue that the "go-it-alone system of individual households (tending individual plots) has obstructed the development of agrarian productivity." "Because of the popularisation of mechanisation, the household approach is not advantageous towards unified farming, planning and arrangements," the Peasant's Article says.

There is little doubt the remaining Maoists are gunning for the reinstatement of the late Chairman's communes. Even more disturbing is the wholesale denigration of Mr Deng's open-door policy—and the revival of Mao's autarkist tendencies towards "self-sufficiency".

"We have introduced foreign capital on a large scale and run Sino-foreign joint ventures," the Article points out. "We have asked foreigners to come to China to start factories, mines and enterprises. What is the result? I think this will lead to the bankruptcy of our (native) industry. Our industry faces tremendous difficulties because foreign goods are occupying our markets."

The ghost-writers of the Article have hoisted high the famous Mao dictum: "We hope to have foreign aid, but we do not rely on it. We depend on our own hard work, the creativity of the whole army and the people".

At the same time, the ideologues are peddling the recent theory of conservative patriarch Deng Liqun (known as Little Deng to Western diplomats) that market reforms have spawned a new class of "exploiters". Referring to Mr Deng's call for "letting parts of the population get rich first", the Article says: "No matter how high-sounding the slogans are, the result is the polarisation (of rich and poor) becomes more and more severe."

The nouveaux riches, it goes on, have piled up their ill-gotten gains through "exploiting workers, manufacturing and selling shoddy products to rip off customers, and profiteering in state assets."

Most alarmingly, Little Deng's followers have laid bare their anti-business streak by asking: "Do they (the red capitalists) love the socialist motherland?" "Who were the people who actively supported the counterrevolutionary rebellion in Beijing in 1989?"

Mr Deng is cast as a Gorbachev-like traitor who is ruining the Communist cause. "Shall we go the same mistaken way of the Soviet Union?" the article concludes. "Isn't it true that under the leadership of Mikhail

Gorbachev, the USSR was transformed from a strong socialist country into a situation of splintered (sovereignty), where the people suffer extreme hardships?"

Study, Research, Reference is the mouthpiece of the nation's premier think-tanks, the Policy Research Office of the party Central Committee and the State Council Research Office, which have become conservative strongholds.

That Mr Deng and his very powerful children and aides have failed to punish the commissars behind what insiders have called a "poison-pen rebellion" says a lot about expanding clout of the opposition.

Obviously, Little Deng and his ilk have taken advantage of economic problems to cast aspersions not only on reform but on Mr Deng's personal integrity. Consider, for example, the mind-boggling article on Emperor Xuanzong of the Tang Dynasty, which appeared in Beijing Daily last Wednesday [23 June].

China-watchers suspect the piece to be a thinly-veiled attack on the patriarch's personality and statecraft.

The author, Beijing University historian Wu Zongguo, gives Xuanzong, who ruled in the 8th century, credit for reforms in the rural, military and administrative sectors. However, the monarch is faulted for picking inept ministers and failing to rein in warlord-like provincial and military chiefs. These aberrations led to the revolt of An Lushan, which almost wrecked the dynasty.

Mr Wu writes that Xuanzong erred "in the nurturing and selection of talents", as evidenced by the fact that his ministers were "untutored in administrative theories and lacking in knowledge about history".

The historian thinks Xuanzong was a disaster in his last years. "Thinking that the world is at peace, he delegated all authority to his ministers and generals. He went in search of longevity and pleasure." "His thoughts were no longer clear and he refused to listen to advice. He became dictatorial, which necessarily rendered his decision-making erroneous".

Then there is this tell-tale piece in China Daily last Friday about Ming dynasty monarch Xizong, who "enjoyed life to such an extent that his inattention to government crippled his empire". Again, there is a reference to the emperor relying on sycophants and spurning advice. "As a result, peasants throughout the country frequently rebelled".

Are Xuanzong and Xizong foils for Mr Deng? Are the evil ministers prototypes of such Deng proteges as former party chiefs Hu Yaobang and Zhao Ziyang—and Vice-Premier Zhu Rongji, another Gorbachev-like figure vilified by the ideologues?

And are the Peasant's Article and Xizong's peasant insurrections allusions to the 170 or so disturbances that

have hit the countryside since the winter? Surely, the leftists are foisting their "advice" on Mr Deng. When will the lion roar back?

Peng Zhen in 'Critical Condition' Due to Heart

HK3006041193 Hong Kong TUNG FANG JIH PAO in Chinese 30 Jun 93 p 6

[Report: "Peng Zhen Is in Critical Condition Due to Heart Disease"]

[Text] Reliable sources say that Peng Zhen, former National People's Congress [NPC] Standing Committee chairman and one of the eight CPC veterans, is being treated for heart disease in Beijing's People's Liberation Army [PLA] Hospital No. 301 and is in critical condition at the moment.

Sources pointed out that like Premier Li Peng, Peng Zhen is suffering from embolism-type heart disease. His condition is similar to that of the late Hu Yaobang. He is now being treated in Building No. 9 of PLA Hospital 301, where Hu Yaobang was once treated.

Building No. 9 has had installed in it the most advanced specialized medical equipment and facilities, and it has been designed especially to provide medical treatment to Chinese leaders. Peng Zhen is now 91 years old. When he failed to attend the NPC session and the Chinese People's Political Consultative Conference session held in Beijing on 16 March, he was once reported to have passed away. However, sources stated that although he has been in critical condition, Peng Zhen was still alive on Tuesday [29 June].

Peng Zhen, whose former name is Fu Maogong, is a native of Shanxi Province. He was born on 12 October, 1902. He is now the oldest among the CPC veterans still alive. During the Cultural Revolution, he was accused, together with Liu Shaoqi and Deng Xiaoping, of being a counterrevolutionary revisionist. He was publicly denounced and humiliated, and he was paraded through the streets by the Red Guards. After the downfall of the Gang of Four, he was rehabilitated in January 1979. He served as Beijing Municipal CPC Committee secretary and mayor of Beijing for an extended period. In 1983, he was appointed NPC Standing Committee chairman. He retired completely in 1988.

Jiang Urges Education To Back Economic Policy

HK3006133093 Hong Kong MING PAO in Chinese 27 Jun 93 p 25

["Special Dispatch From Beijing" by special reporter Chu Hung (2612 5725): "China's Financial Situation Continues To Deteriorate as Tax Revenue Falls 15 Percent While Expenditure Increases by 10 Percent"]

[Text] The mainland authorities have recently admitted internally that China's current financial situation is worsening continuously and that it is so grim as to be

extremely unfavorable to economic development. Jiang Zemin, general secretary of the CPC Central Committee, has already asked propaganda departments to arrange for "patriotic" education across the country to win support from all localities and people across the country to readjust the economy. State treasury bonds are once again being apportioned and some localities have been assigned to purchase a maximum of 600 yuan per person.

An official document shows that, as of May, China's national revenue decreased by 15.2 percent from the same period last year and expenditure increased by 19.9 percent, causing expenditure to exceed income by far.

One salient problem in the mainland's current financial situation is that the growth rate of industrial and commercial tax revenue is far lower than the rate of economic growth. Therefore, economic growth has only caused the state to spend without corresponding income. The number of major items on which revenue can be earned has been reduced a lot. Although it is planned that a total of 30 billion yuan in revenue will be realized from treasury bond sales this year, after almost half a year, only 1.842 billion yuan has been received, 10.431 billion yuan less than in the same period last year. This has affected the budget considerably. Moreover, product levies; revenue collected from energy, communications, and key construction funds; and revenue from the state's budget regulatory funds are quickly decreasing each month. In addition, expenditure is increasingly too sharply, and the "craze for construction funds" in all localities has not cooled yet.

The authorities maintain that the present financial situation is rather grim and that if effective measures are not adopted immediately financial difficulties will continue to worsen and will be extremely unfavorable to economic development.

The senior authorities of the CPC Central Committee and the State Council have called on officials of all localities and all departments to attach great importance to current state finances, to have an "idea of the overall situation," strengthen macroeconomic control, strictly observe financial discipline, and make efforts to keep revenue growth in pace with economic growth.

The authorities said that all localities and all departments must resolutely implement the State Council's relevant circulars and resolutely curb the arbitrary collection of funds and the arbitrary issuance of bonds. They must complete the issue of state treasury bonds as if it were a "political task," and they must strengthen the levying and management of tax revenues, strictly enforce taxation discipline, strictly control reduced taxes and tax reimbursements for exports, clear profits and taxes owed by enterprises and taxes held up by banks, and complete as planned the imposition of levies on various funds for national finance.

The central authorities have demanded that all localities change the practice of "deficit budgets." When a locality

practices "deficit budgets" or has shortfalls in its budget it must readjust its budget quickly, increase revenue and reduce expenditure, and ensure a balance between income and expenditure by the end of the year. No unit or individual can, outside the state's unified policy, increase the number of items from which revenue can be reduced and on which expenditure can be increased, and they must continue to strengthen control over purchasing and should curb extravagance and waste by limiting the purchasing power of social groups.

In view of the country's current grim financial situation and falling revenues, CPC General Secretary Jiang Zemin recently gave instructions to propaganda departments, asking them to strengthen education in "spiritual civilization" across the country, especially education in "patriotism," "observing discipline and law," and "subjecting oneself to the overall situation." For this reason, relevant propaganda departments are beginning to make arrangements and will give guidance and publicity through major mainland media, coordinating it with "anti decadence struggle" propaganda.

Since the senior authorities have particularly stressed the need to strengthen the issuance of state treasury bonds and have imposed this on lower authorities as a political task, officials of all localities and all units continue to add to taxation and levying and this has given rise to a competitive tendency again. In several big cities, many units have asked their lower-level personnel to purchase 300 yuan to 500 yuan of state treasury bonds at a time. At present, each person in a unit has to buy an average of 600 yuan at most.

Jiang Zemin's Speech on 72d CPC Anniversary

OW3006123393 Beijing XINHUA Domestic Service in Chinese 0653 GMT 30 Jun 93

[Speech by Jiang Zemin at forum for 72d CPC anniversary in Beijing on 25 June]

[Text] Beijing, 30 Jun (XINHUA)—Speech at forum marking 72d anniversary of the CPC's founding:

(25 June 1993)
Jiang Zemin

It is of great significance to hold this forum on the eve of the 72d anniversary of the CPC's founding. Most of you who are present here are young and middle-aged exemplary Communist Party members, fine party workers, and representatives of advanced party organizations from various fronts. Like other tens of millions of advanced elements on the forefront of this great era, you have studied hard, worked creatively, and distinguished yourselves in reform, opening up, and the modernization drive. You have, with your own actions, upheld the party's ideals and lived up to the party's aim, adding luster to the party's cause and image. You are worthy of the honorable title of CPC party members. It is hoped that every one of you will guard against arrogance and impatience, continue to exert yourself, make constant

progress, keep forging ahead, and make still greater contributions to building socialism with Chinese characteristics.

You have just now stated, in light of your own work experience, your views and advanced good ideas and suggestions on ways to comprehensively implement the guidelines of the 14th CPC National Congress, further enhance and improve party building under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the party's basic line, raise the party's art of government and leadership, and bring into full play the role of the grass-roots party organizations as the political nucleus and as a fighting bastion, and the exemplary vanguard role of communists.

I would like to take advantage of this opportunity to discuss the following three subjects:

1. To liberate and develop productive forces in China and bring about socialist modernization, we must enhance CPC leadership.

From its birth to the present, our party has traversed a 72-year course of struggle. In the past 72 years, the CPC, as the vanguard of the working class, has always stood at the forefront in liberating and expanding social productive forces and leading people of all nationalities across the country in constantly pushing history forward. In the first 28 years, our party creatively applied the basic tenets of Marxism to the actual conditions of China's revolution and blazed a path of democratic revolution with Chinese characteristics. Through hard-fought armed struggles, we removed the three big mountains [imperialism, feudalism, and bureaucrat capitalism], established New China, and brought about the great liberation of social productive forces. In the 40 years or so following New China's founding, our party explored tenaciously for ways to further liberate and develop productive forces under socialist conditions. In spite of repeated setbacks, we have, in the course of integrating adherence to Marxist tenets and the reality of China's socialist modernization, finally found a correct path for building socialism with Chinese characteristics, and, by way of implementing reform and opening up, brought about fresh liberation and development of China's social productive forces under new conditions and made world-renowned achievements. Looking back at the 72 years of history, the growth and expansion of the CPC and China's independence and advance toward prosperity under its leadership are, in the final analysis, closely linked to the efforts to liberate and develop social productive forces. In China, without the strong leadership of the CPC, there would be no constant liberation and development of social productive forces, no overall social progress, and no socialist modernization.

Upholding and improving party leadership and strengthening party building comprise an important part of the theory of building socialism with Chinese characteristics; it represents, in addition to being a prerequisite of

the times and people, a major task of party building for our ruling party in the new period. In the important talks he made last year when he visited the south, Comrade Deng Xiaoping said that the party's basic line must be followed unwaveringly for 100 years. He pointed out that the aim of revolution is to liberate and expand the productive forces; this is also the aim of our reform. He urged all party members to further emancipate their minds, seek truth from facts, seize the opportunity, and accelerate reform and opening up. At the same time, he stressed the need to enhance and improve party leadership and party building, pointing out clearly that the key to the success of our cause lies in carrying out party building well. We must thoroughly understand and implement these important ideas of Comrade Deng Xiaoping. In China, the key to uniting and holding together 1.1 billion people, to further liberating and developing the social productive forces through implementation of reforms, to concentrating on developing the economy, and to achieving the grand goal of socialist modernization, lies with the party. The key to deepening reform and successfully creating a socialist market economic system, which is an unprecedented feat in human history, lies with the party. The key to upholding the principle of "grasping two links"; that is, successfully promoting both spiritual and material civilizations, lies with the party. The key to preserving social and political stability and bringing about lasting peace for the country, also lies with the party. Party leadership and party building represent the fundamental assurance of the success of economic construction, reform, and opening up. The deeper the policy of reform and opening and the greater the economy develops, the more we should enhance party leadership and promote party building. This is something we must never overlook nor relax at any time. To do otherwise would be to make historical mistakes.

Today, the whole party is working hard to fully and correctly implement Comrade Deng Xiaoping's important talks and the guidelines of the 14th CPC National Congress. We are now in a crucial period in China's reform, opening up, and modernization drive, and the overall situation is good. At the same time, many deep-seated economic and social problems have manifested themselves in the process of a new structure replacing the old. To consolidate and develop the excellent situation, solve the problems that arise in the march forward, establish as quickly as possible a socialist market economy, bring about harmonious advancement in growth and efficiency, promote both spiritual and material civilizations, and bring about all-around social progress, we must improve party leadership and build the party well.

Over the past few years, the party has enhanced its leadership over reform, opening up, and the modernization drive. New progress has also been made in the construction of the party itself. The principal manifestations are: 1) Study of the theory on building socialism with Chinese characteristics has developed incrementally among all party members. There has been more

display of the spirit of emancipating the mind, seeking truth from facts, being bold in exploring new ways, and continuing to forge ahead among the broad ranks of party members and cadres. 2) Party organizations at all levels have themselves been even more conscientiously strengthened in line with the party's basic line. They have carried out party building based on the central task of economic construction and with a view to promoting economic construction. More and more party members and cadres are studying hard to gain knowledge of the socialist market economy and to learn skills for simultaneously promoting the spiritual and material civilizations. 3) Most localities across the country have completed the election of new party and government leading bodies at the county level or higher. A large number of exemplary young cadres who possess both political integrity and professional competence have assumed leading posts. The structure of leading bodies at all levels has improved and their overall quality has increased somewhat. 4) Localities have, in line with the demands of the new situation and tasks, actively explored new ways and new methods to strengthen and improve grassroots party organizations and, in particular, to promote party building in economic organizations. They have achieved some progress. At the same time, we must be soberly aware that along with developments and changes in objective conditions, there remains a large gap between the situation in party building on the one hand and, on the other, the requirements of reform, opening up, and the modernization drive as well as the people's expectations of the party. There are many new situations and new problems facing party building, the prominent ones being: Most of the problems that have arisen in the course of deepening reform and establishing a socialist market economic system are new ones that we have never encountered before. Whether or not they can properly solve these problems represents a new challenge for party committees and leading cadres at all levels. These complicated, formidable tasks demand that the whole party practice democratic centralism to a fuller degree, enhance its solidarity and unity, and act in unison. Some of our party organizations have indeed become, to varying degrees, weak and lax in their discipline, as manifested in their disregard for orders and bans. Money worshipping, pleasure seeking, and ultra-individualism are running rampant among some party members and cadres. Unethical and corrupt practices are spreading, in disguised forms, in some localities, seriously harming party-people relations. We must not let these problems overshadow the main aspects of the party, but we must tackle them in a serious manner. While leading the people in carrying out revolution and construction over the decades, our party has grown stronger day by day by constantly strengthening itself and by encouraging positive factors while surmounting negative ones. We must grasp and apply this law well and raise party building to a new level in light of today's actual conditions.

2. It is necessary to do a still better job in party building in line with the guidelines set forth at the 14th CPC National Congress.

The guiding thoughts, objectives, demands, and major tasks for strengthening party building and improving party leadership under the new situation were specifically laid down at the 14th CPC Congress, and now the question lies in the continued, comprehensive, and excellent implementation of the guiding thoughts, objectives, demands, and major tasks. What are the general objectives and demands? They can be summed up in a nutshell. First, when engaging in party building, we must firmly grasp the theme of building the party into an even stronger leading core that can lead socialist modernization construction; second, it is necessary to strive to improve the party's ability to govern and to lead; third, it is necessary to further enhance party organizations' cohesiveness, their drawing power to the broad masses, and their fighting strength in the course of reform and construction.

The party's leadership is realized and enhanced through the formulation of a political line and through the comprehensive and correct adherence to and practice of the political line. Likewise, party building is constantly developing and advancing through practice. This has been a basic experience. A correct political line has created the most important premises and conditions for the healthy development of party building. We already have the basic line of "one central task and two basic points," and it is necessary to unwaveringly adhere to this line for 100 years. This basic line is the most favorable condition for strengthening and improving party building in the new period; however, a lot of hard and practical work remains to be done if we are to build all party organizations well. Taking into account the current situation, I want to stress the following:

First, the whole party needs to maintain a high degree of ideological and political unity. The most fundamental thing is to unremittingly adhere to using the theory of building socialism with Chinese characteristics to arm the entire party, especially leading cadres at and above the county level. Because our party is a large party with over 50 million members and it leads a large country with over 1.1 billion people, and because we also now face the exceedingly complicated and arduous tasks of reform, opening, and modernization construction, the work of enhancing ideological and theoretical building has become all the more important. If we do not have Marxism-Leninism-Mao Zedong Thought as our guide, and if we have not persisted in using the theory of building socialism with Chinese characteristics to arm the entire party, a completely new situation in socialist modernization construction will not develop. Using the theory of building socialism with Chinese characteristics to arm the whole party, which was proposed at the 14th CPC National Congress, is a fundamental task to enhancing and improving party building and a long-term strategic task in party building that should run through

the entire course of socialist modernization construction. All levels of party committees and leading cadres must raise their awareness in studying the theory and must fully realize that studying well Marxism-Leninism-Mao Zedong Thought, particularly Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, will have an extremely important significance for raising the party's ability to govern and to lead, for correct understanding of new problems, for solving deep-rooted contradictions encountered in the course of socialist modernization construction, for trying to avoid and overcome one-sidedness and absolutism in work, and for ensuring comprehensive and correct implementation of the party's basic line, principles, and policies. Now, because the tasks of reform and construction are very heavy, everyone is very busy. Still, we must find time to study theories. If we only busy ourselves with practical work every day, slighting theoretical study, and are unable to maintain clear minds, we will be at a major disadvantage. When studying the theory on building socialism with Chinese characteristics, we must not be satisfied with gaining a smattering of theoretical knowledge, let alone quoting a theory out of context or using a theory just to suit our own purposes. We must not study theories perfunctorily, abstractly, and fragmentarily. Only through diligent, serious, actual, and systematic studying can we expect to master the theory and put it to good use. If all in the party can genuinely arm themselves with the theory on building socialism with Chinese characteristics, they will then be able to maintain a high degree of ideological and political unity when implementing the party's basic line, principles, and policies. If they can do that, other things will be easier.

Second, it is necessary to strengthen a high degree of unity in the party's organization and actions. The reason that proletarian parties have invincible power is because their ideological unity, formed on the basis of Marxist principles, is cemented through the organization's material unity. If a party is slack in organization, if its members go their separate ways, it will not have fighting strength, and it will not be able to fulfill its historical tasks. This is particularly true during momentous historical development.

How should the party's unity in organization and action be ensured? The most important thing is to strictly practice democratic centralism. Comrade Xiaoping has stressed on many occasions that because democratic centralism is fundamental, and the most convenient, most reasonable system for our party and for our country, it should never be discarded. Our party has set a rule that says because we come from the masses, we must return to the masses' fold. We should fully exercise democracy before deciding on a problem. It is on this basis that we should resolutely enforce a decision once the majority agrees on it. It is the most important principle of democratic centralism as well as the most important organizational discipline for an individual party member to obey party organization, for the minority to subordinate itself to the majority, for a

subordinate organization to submit itself to a higher organization, and for all levels of party organizations and for all party members to subordinate themselves to the CPC National Congress and the CPC Central Committee. A situation now exists in which the correct decisions, reached by the CPC Central Committee and the State Council on a democratic basis, are not being implemented in some areas and by some units. Although higher authorities have repeated injunctions over and over, some people still choose to stick to their old ways and continue their practice of "you, the higher authorities, have your policies; we, the subordinates, have our own countermeasures." These acts of violating the principle of democratic centralism weaken the party's strength and affect implementation of the party's decisions. One of the major reasons behind this problem is the inability to correctly view and handle the relationship between overall and partial, long-term and immediate, and central and local interests. They tend to proceed from local, immediate, and small groups' interests when adopting attitudes toward decisions by the CPC Central Committee and higher authorities; if the decisions are to their liking, they will implement them; if not, they refuse to implement them. The ancients once said: "Those who are unable to think about the overall situation are not entitled to even a slice of land; those who do not plan for posterity are not entitled to live in the present." Communist Party members and party cadres must always take into account the interests of all nationalities in the nation and the overall situation, and must consciously subordinate themselves to the overall situation when local interests come into conflict with general interests. All levels of party organizations should resolutely implement democratic centralism, help maintain the overall interests of the party and the state, preserve the party's unity, uphold the authority of the CPC Central Committee and the State Council, and ensure the smooth circulation of government decrees. As for those who do not take into consideration the overall interests and disregard the norms concerning the party's inner life, strict disciplinary action should be taken against them.

Third, it is necessary for the party to always maintain close ties with the masses. Our party's relationship with the masses, generally speaking, is good, but we should not underestimate the existing problems. Because negative and corrupt phenomena have seriously interfered with the work of reform and opening, the masses are rather dissatisfied. If we do not take resolute measures to overcome them and single them out, they will bury the great cause of reform and opening and will finally lead to jeopardizing our party's ruling position. I suggest that you reread the two important speeches that Comrade Xiaoping made in 1982. The first speech was "Resolutely Crack Down on Economic Crime Activities," and the other was "A Speech at the Central Military Commission Forum." Comrade Xiaoping at that time sounded an alarm to all comrades in the party on the issues of opposing and preventing corruption. When

dealing with such issues, we must remain sober-minded, be prepared for danger in times of peace, and not remain insensitive.

Our party is unwavering in taking a two-handed approach toward carrying out the policy of reform and opening on the one hand, and cracking down on serious crimes on the other. Persisting in the anticorruption struggle in the course of reform and opening gives meaning to our implementation of a "two-handed approach." Those who set reform and opening and economic development against opposition to corruption, those who hold the view that opposition to corruption will affect reform and opening and economic construction—that if the nation wants to carry out reform and opening, it should not oppose corruption—are completely wrong and their views are extremely harmful. It is necessary to rely on education and on the legal system to solve these problems. Regardless of the degree of difficulty, we will reap practical results if we persist in dealing with corruption problems and paying attention to improving anticorruption methods. All in all, we must treat the anticorruption struggle as an important matter in party building and in consolidating political power; and we must strive to achieve results and win the trust of the people.

While waging resolute struggles against corruption, we must encourage all party members to take the lead in promoting the spirit of plain living and hard struggle and resisting money worshipping, pleasure seeking, and ultra-individualism. Leading organs must resist and overcome bureaucratism and formalism; leading cadres should frequently go down to the grass roots and among the masses to conduct research and investigations. All party members must work among the masses, pay constant heed to their feelings, listen attentively to their views and demands, and help them solve practical problems in production and in their livelihoods. It is necessary to understand and handle properly the contradictions within the people in the new period; turn negative factors into positive ones; and channel, protect, and mobilize well the initiative of the broad masses of the people, and turn the party's line, principles, and policies into the people's conscientious actions.

3. Party members, leading cadres in particular, must enhance their party spirit.

Enhancing the party spirit among members is an indispensable requirement for keeping the party advanced. The new period, new tasks, and the new environment require CPC members to even more conscientiously enhance their party spirit. Some comrades contend that because now we are developing a socialist market economy and implementing the policy of reform and opening up, there is no point in stressing party spirit. They are totally mistaken. Establishing a socialist market economy is a major policy decision adopted by the party at its 14th national congress under the guidance of the theory of building socialism with Chinese characteristics and after summing up 14 years of experience in reform

and opening up; it is a decision that CPC members must conscientiously carry through. The socialist market economy we have undertaken to establish is one that is integrated with the basic system of socialism, and it is one in which the market is to play a fundamental role in the allocation of resources under the macro control of a socialist state. It represents a great creation in scientific socialism. CPC members must guarantee and promote the establishment of this new structure with their party spirit; meanwhile, they must also resist, with their party spirit, the negative factors in market activities to make this new structure serve the fundamental goal of building socialism with Chinese characteristics. We must firmly prevent powers from being traded as commodities; we must never allow the principle of exchange of equal values to be applied to political activities within the party and state.

The party's demands on its members regarding the party spirit are always closely linked with the historical tasks on its shoulders in different historical periods. In enhancing a CPC member's party spirit under the new historical conditions, we must stress conscientious and painstaking study of the theory on building socialism with Chinese characteristics and steadfast implementation of the party's basic line, principles, and policies. They should play an exemplary role in emancipating our minds, in seeking truth from facts, in displaying the spirit of plain living and hard struggle, in serving the people selflessly and wholeheartedly, in abiding by discipline, in upholding democratic centralism, in working hard and in a down-to-earth manner, in being loyal to one's duties, in waging struggles against all sorts of negative and corrupt practices, and in playing an exemplary role in promoting new socialist ethics. Leading cadres at all levels should try to do better—and set stricter demands on themselves—than the rank-and-file members.

The party's demands on its members regarding the party spirit are, in the final analysis, a question of fostering and upholding a correct stance and world outlook. For a comrade to become a true CPC member, a noble person, a pure and ethical person, a person free of vulgar tastes, and a useful person to the people, he needs years of tempering and has to conscientiously go through trials in studying the Marxist theory, in plunging himself among the masses to build socialism with Chinese characteristics, and in meeting the rigorous requirements of a party member. If all comrades of the party follow these guidelines, our party will, over the years, see a marked improvement in the overall quality of its ranks; it will become even stronger, full of vigor and vitality, and more capable of carrying out its undertakings well; and socialist modernization led by our party will grow more and more prosperous.

RENMIN RIBAO Runs Commentary on CPC

OW3006150693 Beijing XINHUA in English 1448
GMT 30 Jun 93

[Text] Beijing, June 30 (XINHUA)—The PEOPLE'S DAILY [RENMIN RIBAO] stresses the importance of

conscientiously improving the building of the Communist Party of China (CPC) in an editorial to be published tomorrow to mark the 72nd anniversary of the founding of the party.

The editorial says the best way to celebrate the party's birthday is to strengthen the building of the party in real earnest and push forward the party's cause.

"In China, without the CPC leadership, there would be no constant freeing and development of social productive forces or all-round progress in society, to say nothing of socialist modernization," the paper says.

Raising the building of the party to a higher level is a need posed by the times.

Jiang Zemin, general secretary of the CPC Central Committee, said in his report to the 14th CPC National Congress: "We must follow the basic line of the party unwaveringly for a long time to come; we must rapidly carry out socialist reform, the opening to the outside world and the modernization program; and we must maintain a long-term stability and make our country prosperous and strong. The key to all this is our party, a party armed with comrade Deng Xiaoping's theory of building socialism with Chinese characteristics."

The editorial says: "It is our great practice to concentrate on the socialist modernization program and establish a socialist market economy."

It is a fundamental task in strengthening party building to arm the whole party with the theory of building socialism with Chinese characteristics, act in keeping with the party both ideologically and politically, and use this great theory to guide great practices.

The editorial calls on all party members, particularly leading officials at all levels, to study the theory in a specific and penetrating way, understand the essence of the theory in a comprehensive and correct manner, and constantly improve their ability to conscientiously apply the stand, viewpoints and methods of the theory to study and solve practical problems.

They must make sure that policies and orders of the party central committee and the State Council are implemented to the letter, the editorial notes.

Furthermore, they must conscientiously vindicate the authority of the party central committee and the State Council, safeguard the overall interests of the party and state.

The editorial says, "Strengthening the building of the party's style of work is a matter the whole party and the people of the whole country are concerned about most."

Over the past ten-odd years, China's economy has grown substantially and the living standards of the Chinese people have improved markedly. The broad masses of the people are satisfied with all this, it says.

However, the people are also dissatisfied with a number of things. Despite great achievements in the building of the party's style of work and building a clean government, the state of the party's style of work still merits "our great attention," the editorial points out.

"It was an important task put forward by the 14th CPC National Congress to the whole party to rectify the party's style of work, promote the building of a clean government and resolutely combat all kinds of corruption," it says.

This task concerns the reputation and prestige of the party as perceived by the people, as well as the country's political stability and economic growth.

The editorial calls on all party members to carry forward the spirit of hard struggle, and to resolutely oppose money worship, pleasure seeking and extreme individualism.

It says: "We must have a sober understanding of the importance of the question of the building of the party's style of work, and of the protracted nature and arduousness of settling this question. We must make determined and earnest efforts to make great progress in that area."

Addressing a forum to mark the party's birthday on the eve of July 1 celebration, General Secretary Jiang Zemin said that the general objective of party building is to build the party into a stronger nucleus in leading the socialist modernization drive.

The party must try to enhance its ruling efficiency and leadership skills, and further improve the cohesiveness of party organizations, their appeal to the people and their effectiveness in leading reform and construction.

Sources Say Zhu Rongji Named Bank Governor

HK3006063593 Hong Kong WEN WEI PO in Chinese
30 Jun 93 p 2

[Dispatch from Beijing by staff correspondent Chen Chien-ping (7115 1696 1627): "Li Guixian Has Been Dismissed From His Post, and Zhu Rongji Is Concurrently Governor of the People's Bank of China"]

[Text] Beijing, 29 Jun (WEN WEI PO)—According to authoritative sources here, Li Guixian, governor of the People's Bank of China [PBC], was officially dismissed from his post by a proclamation of the central authorities yesterday, and Zhu Rongji, vice premier of the State Council, was appointed concurrently PBC governor by the central authorities. The purpose is to reinforce and rectify the order in the monetary sector and promote the reform of the monetary system. The authoritative sources said: This decision by the central authorities shows their determination in rectifying the order in the monetary sector. Since the beginning of this year, many problems in China's economic construction have found concentrated expression in monetary issues, and the loss

of control of the order in the monetary sector has in turn made it difficult to solve the problems in economic construction.

In an interview with our staff correspondent, an observer of monetary affairs said: I believe the decision to replace the PBC governor will have a positive effect on the exchange rate of the renminbi. In fact, in the past two days the renminbi's exchange rate in some foreign exchange swap centers has shown a rebound. An important reason for this is that the news that the central authorities would make this decision has been circulating in a small circle of the PBC. From this, people have detected the central authorities' determination in rectifying monetary affairs and anticipated the strengthening of macrocontrol, which will restrict speculative behavior. Therefore, they have been buying renminbi at favorable rates and caused expansion of the demand for the currency, thus stimulating the readjustment of the exchange rate.

Bank 'Spokesman' Confirms Story

HK3006085293 Hong Kong RTHK Radio Four in English 0500 GMT 30 Jun 93

[Text] China's Vice Premier Zhu Rongji will shortly take over as head of the central bank. He will replace the bank's governor Mr. Li Guixian, who is believed to have resigned.

The bank's spokesman confirmed the appointment, saying a statement will be made in the next few days. He refused to give details.

Political analysts say there could be an announcement on personnel changes when the Standing Committee of the National People's Congress ends its current session in Peking possibly on Friday [1 July].

Source Says Chen Jinhua Tasked for 'Retrenchment'

HK3006060593 Hong Kong MING PAO in Chinese 30 Jun 93 p 7

[("Special dispatch" from Beijing by special correspondent Lu Ye (4845 6851): "Chen Jinhua Has Been Entrusted With the Important Task of Implementing the Economic Retrenchment Policy")]

[Text] According to a reliable informed source, as Li Guixian, president of the People's Bank of China, is about to quit his present job, the incumbent minister of the State Planning Commission, Chen Jinhua has been assigned an important task—to assume full responsibility for implementing an economic retrenchment policy in the latter half of this year. Given this backdrop, the State Planning Commission—which has been maintaining a low profile for more than half a year—is becoming active again, rising as a "leading department" within the State Council.

Information has it that Vice Premier Zhu Rongji, who is in charge of overall economic affairs, has authorized Chen Jinhua to assume full responsibility for performing the duty of central "macroeconomic regulation and control" through the State Planning Commission. In this connection, the State Planning Commission has already formulated a dozen measures. Opinions are being solicited about these measures, which are about to be promulgated and implemented.

One of the principal measures is that the four specialized banks, namely, the Bank of China, the Agricultural Bank, the Construction Bank, and the Industrial and Commercial Bank, are ordered to retrieve by the end of July all funds that have been inappropriately granted to non-financial institutions in violation of regulations. Meanwhile, another series of relatively rigid measures are also to be adopted, including measures to straighten out the property market, the securities market, the futures market, the investment structure, and institutional purchasing power.

Empowered by Zhu Rongji to take charge of macroeconomic regulation and control, Chen Jinhua will first of all take action to deal with the financial sector. At least a dozen investigation teams will be sent to examine bank operations in all provinces and autonomous regions. Today we have a situation in which many banks have ignored Beijing's administrative instructions, have refused to implement nationwide policies set by the central authorities, and have arbitrarily granted loans, raised funds, issued securities, and established economic entities. Meanwhile, power considerations have been interfering in market operations, causing an expansion in investment scale and inflation as well as disrupting the normal economic order.

During the National People's Congress [NPC] session last March, the appointment of Li Guixian as president of the central bank was approved by ballot with 358 negative votes and 79 abstentions, a fact indicating that he was not competent in the position of bank president. It has been said that, apart from Li Guixian's "resignation," a number of local bank officers will also be sacked this time.

Reports have indicated that Li Guixian's "resignation" will be officially accepted the day after tomorrow at the closing session of the second meeting of the Eighth NPC Standing Committee.

Meanwhile, Zhou Zhengqing, vice president of the People's Bank of China, was promoted to secretary of the bank's party group last weekend. He is going to be appointed executive vice president of the bank and will be charge of day-to-day bank operations. Zhou Zhengqing has long been working with the financial sector. He assisted Zhu Rongji in the "debt chain clearing" mission, and his ability is much appreciated by Zhu. By the bank rule, the post of president of the People's Bank of China must be held by an official at the rank of state councillor or above. If Zhu Rongji is concurrently appointed bank

president, it will be as if he concurrently holds the post of chairman of the State Council securities committee. With a powerful strong man holding this important position, branch presidents subordinate to him will dare not go their own way but will carry out every order from him. So this arrangement will be very useful to the operation to rectify "financial disorder."

It has been said that some major measures will be set forth at a national meeting of bank presidents which is going to be held very soon.

Many members of economic circles are worried about the current situation. The State Council has issued a series of "red-letter-headed documents" [official central government documents] this year, but these documents have drawn less and less attention from the local authorities or have simply been ignored. Economic malpractices have become increasingly prevalent. If this situation continues to develop unchecked, it will certainly end up in great chaos. To be sure, exercising "macroeconomic regulation and control" through administrative orders can be temporarily effective, but, as time passes by, other problems will emerge sooner or later. Therefore, it is essential for one to seize the current opportunity to speed up the reform of the financial structure, which is the once-for-all solution.

CPC, Noncommunist Leaders in Economic Talks

OW3006133593 Beijing XINHUA in English 1319
GMT 30 Jun 93

[Text] Beijing, June 30 (XINHUA)—Top leaders of the Chinese Communist Party held an informal discussion Tuesday afternoon [29 June] on the country's current economic situation with leading figures from non-communist parties and noted personnel with no party affiliation.

The meeting was presided over by Communist Party General Secretary Jiang Zemin. Also attending the talk were party Central Committee Standing Committee members Li Ruihuan and Zhu Rongji, alternative member of the party Central Committee Political Bureau Wen Jiabao, and two vice chairmen of the National Committee of the Chinese People's Political Consultative Conference, Wu Xueqian and Wang Zhaoguo.

Jiang made a speech at the meeting, during which he stated that China has made remarkable achievements in the reform and opening drive and in economic development since last year.

All reforms aimed at building a socialist market economy have been deepened and are making progress, he said.

Jiang noted that the economic situation in China has been generally good in the first half of this year, but said that contradictions and problems have also emerged, some of which are glaring.

He attributed the problems to many factors, chiefly to areas of the existing economic system that have not been put in order.

Consolidation and development of the good situation and solving contradictions and problems in economic development will depend on the guidance of Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line.

Jiang urged party members to seriously carry out the spirit of the 14th party congress, to further deepen the reform and expand the opening, and to establish the socialist market economy as early as possible.

Accelerating the building of state macro-controls on the economy is an important part of building the socialist market economy and also an important step in deepening the reform, the party chief said.

Jiang noted that the party Central Committee and the State Council have attached great significance to suggestions raised by non-communist party members and people with no party affiliation.

It is a tradition for the communist party to consult people of all circles on important issues, Jiang said.

Zhu Rongji, who is also a vice premier, likewise made a speech at the discussion. He talked about the current economic situation and measures to be taken to assert macro-controls on the economy.

Zhu said that since the latter half of last year, the party Central Committee and the State Council have issued a series of policies, measures and regulations based on various analyses of the economic situation.

Meanwhile, non-communist party members and people with no party affiliation have also put forward many suggestions on the issue.

Zhu said he believed that the country's economic development must be maintained in a stable and coordinative manner if the reform is to be further deepened. Macro-controls will be strengthened through economic and legislative means, and necessary administrative means will be adopted as a supplement.

Non-communist party leaders Sun Fuling, Fei Xiaotong, Qian Weichang, Wu Jieping, Sun Qimeng, Wang Guangying, Li Peiyao, Lei Jieqiong, Cai Zimin, Yang Jike and Fang Rongxin, along with Cheng Siyuan, a noted figure with no party affiliation, also spoke at the informal discussion.

Central Work Meeting on Economy Said Set for Jul

HK2906114593 Hong Kong CHING CHI JIH PAO in Chinese 29 Jun 93 p 11

[Special report] from Beijing by staff special correspondent Chang Hua (1728 5478): "Senior CPC Leaders Are

Reportedly To Go to Beidaihe in Early July To Attend a Central Work Meeting To Study Present Economic Problems and Work Out Countermeasures"]

[Text] According to reliable informed sources, the senior leaders of the CPC will gather in Beidaihe on 10 July to attend a central work conference to discuss the grim problems now affecting China's economy and work out some new measures to handle the current economic situation.

The informed source said that when the senior leaders of the CPC gather in Beidaihe on 10 July to attend the central work conference, the key issue will be emerging economic problems. The conference is expected to last for a month.

The informed source said the CPC leaders had gone to various places in the country to investigate the situation. For example, Jiang Zemin went to Shanghai and Xian, Zhu Rongji went to Tianjin, Qiao Shi went to Sichuan, Li Tieying went to Henan, and Ding Guangen went to Shanghai. The senior level of the CPC has basically grasped the economic situation in the country and the next step is to formulate some concrete measures to tackle the current problems.

According to information, before delivering his "Current Economic Work" on 1 April, General Secretary Jiang Zemin made another internal speech which was transmitted to the provincial and Army levels. It mainly dwelled on the seriousness of the current economic problems and demanded that the leaders of various localities toe the line of the central authorities so as to overcome difficulties together.

The informed source said that the senior level of the CPC has basically reached a consensus on the current economic problems—that is, emphasis on economic means which are to be supplemented by administrative means—and once a document is drafted, various localities should act according to the demands of the central authorities when implementing it. Regarding the local officials who are not good at implementing the spirit of the central authorities and who fail to implement the policy, there will be "no consideration for their feelings and face."

The informed source said that the senior level of the CPC has already fixed the key point of work for the second half of this year; that is, when rectifying real estate business, stock markets, and financial organizations, efforts will be made to expedite the reform of the financial system. The informed source said that in being faced with some of the emerging economic problems, the CPC leaders are indeed "not scared despite changes," and that regardless of the emerging problems or the measures likely to be taken, there is basically not much difference in opinion among the senior leaders and that this is one important area which is different from the situation in 1988.

In addition, as disclosed, supreme party leader Deng Xiaoping is now resting in Shanghai. He has closely observed the current economic problems but has not voiced his opinion. When Jiang Zemin reported to Deng Xiaoping in Shanghai in May, Deng made some encouraging remarks but did not give any instructions on economic problems. The source said that Deng Xiaoping will go to Beidaihe at the end of July, not just to rest, but more importantly, to "listen."

The informed source also said that the senior level of the CPC has a great deal of confidence in the measures to be taken. The senior level predicts that in September or October, China's economic development will become clear, because there are indeed some rather complicated problems that cannot be clearly perceived at this time.

Political Bureau To Call Economic Conference

HK3006084093 Hong Kong WEN WEI PO in Chinese
30 Jun 93 p 2

[Report from Beijing by staff reporter Chen Chien-ping (7115 1696 1627): "A Recently Concluded Central Political Bureau Meeting Decides To Hold a National Economic Conference; the Third Plenary Session of the CPC Is To Be Postponed Until Fall"]

[Text] Beijing, 29 Jun—It has been disclosed by an authoritative source here that a Political Bureau meeting of the CPC Central Committee, which was just concluded, has decided to call a national conference on economic work in the near future. In addition, the meeting examined the first draft of a report entitled "Several Issues Concerning the Establishment of a Socialist Market Economic System," which is to be submitted for discussion to the Third Plenary Session of the CPC Central Committee, and it decided to postpone the Third Plenary Session until some time around this autumn.

The source indicated that the two-day Political Bureau meeting examined the first draft of the aforementioned report that is to be submitted to the Third Plenary Session for discussion, and it considered the settlement of several major issues concerning the study and establishment of the socialist market economic system by the end of this century to be an extremely significant contribution. General Secretary Jiang Zemin called for continued efforts to carry out investigations and studies of certain major issues, urging all localities to focus their theoretical research and practical work on this task, and to report promptly to the central authorities any successful experience and work methods they have gained in this aspect.

The present economic situation was one of the major subjects discussed at this Political Bureau meeting, the source added. The CPC hierarchy believes that the concept of "hiding one's light [refraining from displaying one's talent in an aggressive manner] and handling a situation calmly," which was raised by Deng Xiaoping, is not only useful to us in handling international issues but

also applies to our economic work. The most worrying problem at the moment, which needs to be put right, is that some people "use a new bottle for old wine"; in other words, they advocate in words the establishment of a socialist market economy yet continue to use in practice the old guiding ideology and work methods developed under the original planned economy.

The CPC top leadership considers it inappropriate for a big country like China to launch a campaign today and put on the brakes tomorrow. Now that we have achieved such a gratifying situation after going through hard times, we should not by any means lose or let slip such a good opportunity. When talking about issues in this regard, the CPC leadership repeatedly stressed that no unpredictable policy changes are ever allowed on any issue defined in the political report of the 14th party congress. At the present stage, we need to pay attention to the hardware construction. What is more important, however, is to devote our efforts to reform, to succeed in the "software" construction, to try hard to acquaint ourselves with and have a good command of the law of the socialist market economy, to work out and improve market economic rules and regulations, and to set up and perfect the operational mechanism of a market economy.

It is believed by the CPC top leading members that a comprehensive analysis and correct judgment of the current economic situation is most needed at the present stage, for numerous problems remain to be solved in various fields, including the monetary sector, fixed assets investment, consumption demands, market prices, supply and demand for the means of production, the financial sector, and foreign exchange revenue and spending; that the "bottleneck" restriction is taking a turn for the worse; and that agricultural production is faced with a great deal of pressure. To correctly handle the relationship between development and reform, we need to be aware of this: We should by no means forfeit an opportunity for reform simply because we blindly pursue an unreasonably fast growth rate.

The authoritative source noted that the significance of seeking a unified understanding of the present economic situation was highlighted at the Political Bureau meeting. By the same token, the CPC top leaders indicated, when speaking of the importance of taking the interests of the whole into account, that both the central and the local authorities are aboard the same boat, and that no matter what position they are occupying on the boat, the two need to brave the wind and the waves as one, stand together through thick and thin, and work with one heart in times of difficulty. To successfully pass the test of setting up a socialist market economic system, a relationship of standing together through thick and thin, working with one heart in times of difficulty, and helping to supply each other's needs should be formed between the central and local authorities, and between different localities.

Governors To Hold Meeting on Financial Order

HK2906043793 Hong Kong TA KUNG PAO in Chinese
29 Jun 93 p 2

[“Special report” from Beijing by staff reporter Ma Ling (7456 3781): “Central Authorities Hold Meeting of Provincial Governors To Straighten Out Financial Order Throughout Country”]

[Text] Beijing, 28 Jun (TA KUNG PAO)—According to informed sources, Zhu Rongji, member of the Standing Committee of the CPC Central Committee Political Bureau and vice premier of the State Council, has instructed the State Council to organize a meeting of provincial governors to straighten out the financial order throughout the country. The meeting will be held soon in Beijing.

According to information we have received, the State Council feels that it is time to tackle random fund-raising activities, the random issue of shares and bonds, and the random use of credit funds for speculation in stock markets and landed properties in various localities. Zhu Rongji is concerned about the frequent fund-raising activities among enterprises, especially those offering high interest rates, and he has ordered that these be rectified.

The National People's Congress [NPC] Standing Committee is currently holding in Beijing its second meeting, which many provincial governors are attending. It would be convenient to hold a meeting on rectifying the financial order following the NPC Standing Committee meeting.

Some provinces have already begun to tackle the chaotic financial conditions that they are experiencing.

Leaders Plan 'To Tighten Control Over Ideology'

HK3006042493 Hong Kong SOUTH CHINA MORNING POST in English 30 Jun 93 p 1

[By Willy Wo-lap Lam]

[Text] Communist party leaders Jiang Zemin and Ding Guangen have masterminded a campaign to tighten control over ideology and the media. Chinese sources said yesterday Mr Jiang and Mr Ding, respectively party General Secretary and Propaganda Chief, had tried to put the lid on news coverage of sensitive subjects as well as liberal cultural productions. In internal meetings with propaganda officials in past weeks, Mr Ding, acting on instructions from Mr Jiang, asked the cadres to concentrate on "positive developments" and to avoid issues that show the Communist Party in a poor light.

Editors have been ordered to impose a news blackout on the trial of Yu Zuomin, the head of the Daqiu Zhuang rural-enterprise conglomerate arrested last month. A Western diplomat said: "The party authorities have

decided Yu, reportedly a crony of the Deng family, would only be charged with the light offence of obstructing police actions.

"They fear widespread reporting of the Yu case might expose his links with party elders."

The editors were also asked to refrain from commenting on rumours that a senior executive with the Capital Iron and Steel Works might soon be subjected to investigations. Another taboo subject is the alleged connections between senior ministers and the heads of the liquidated Changcheng group of manufacturers of mechanical and electrical appliances.

Productions in danger of being axed include the internationally acclaimed film *Farewell To My Concubine*. At its Beijing premiere this month, Mr Ding reportedly erupted with rage over the film's allegedly negative reflections of communist rule.

The Propaganda Chief objected to the fact that the protagonist, an actor played by Hong Kong star Leslie Cheung, had suffered persecution during Japan's occupation of China, the Kuomintang as well as the communist regime. "Who authorised the script, and who sent it out for international competitions?" Mr Ding asked.

The sources added the authorities had also criticised a television serial film on the plight of educated youths, as well as a Tianjin-made drama production on the Cultural Revolution.

Meanwhile, leftist patriarch Deng Liqun has asked his followers, who occupy senior positions in the media, to come up with articles "exposing" the negative aspects of reform. Newspapers including the *Guangming Daily* and the *Liberation Daily* have recently run articles on the phenomenon of "money worship". Other publications have spotlighted how nouveau riche businessmen have piled up riches through "exploiting" workers as well as ripping off consumers.

Summary of Yuan Mu Book on Socialism, Part Five

HK2606020093 Beijing JINGJI RIBAO in Chinese 24 May 93 p 2

[Article by Yuan Mu (5913 2606): "Great Banner That Leads Us Ahead—Part Five 5"; Parts One through Four were published in the 25 June China DAILY REPORT, pages 17-32]

[Text] V.

As a great creation of the CPC and the Chinese people, the theory of building socialism with Chinese characteristics constitutes a new and important theoretical contribution to Marxism and scientific socialism and is of major guiding significance to China's reform, opening up, and modernization building. Under the guidance of this theory we have scored great achievements and will continue to score great achievements in the future.

Socialist China will forever stand erect in the Eastern part of the world and exert profound influence on world peace and development, the international communist movement, and the entire progressive cause of mankind.

Marx and Engels are the founders of scientific socialism. Their great achievements lay in the fact that they turned utopian socialism into scientific socialism. The victory of the Russian October Revolution led by Lenin resulted in the founding of the first socialist country in the world. After the Second World War, socialist countries emerged one after another across the world. This historical process shows that socialism was gradually turned from utopianism into a science, from theory into practice, and from practice in one country into practice in several countries. However, just as the 14th CPC National Congress Report pointed out: "During the more than one century *The Communist Manifesto* was published, the victories of the Russian October Revolution, the Chinese Revolution, as well as revolutions in many other countries have shown that under the leadership of the proletariat, the people can indeed seize political power. Moreover, tremendous achievements have been scored and much has been learned about how to build socialism since then. However, this question still calls for further exploration. Indeed, in view of the drastic changes that have taken place throughout the world in recent years, this question still needs profound study." It was under extremely complex domestic and international conditions that Lenin conducted explorations and left us a series of great theories, outstanding ideologies, and extremely precious experiences. Stalin also successfully conducted explorations with the result that the Soviet people scored brilliant achievements in socialist construction and won the great victory of the Anti-Fascist War of National Self-Defense. Nevertheless, Stalin also left behind many rigid ideological and theoretical views, structures, and mechanisms, as well as serious problems, all of which were later referred to as the "Stalinist Mode." The fact that Stalin's successors failed to fundamentally change the situation resulted in the disintegration of the Soviet Union in the end. The Chinese Communists and people led by the late Mao Zedong made great efforts and scored phenomenal achievements in exploring the road of building socialism with Chinese characteristics. However, owing to historical limitations, the late Mao Zedong made serious mistakes in his later years, causing grave setbacks to China's socialist construction. After drawing upon the experiences of predecessors, conscientiously summing up both the practice and creations of contemporaries, and carrying out hard and tenacious struggles, the second generation of the CPC collective leadership represented by Deng Xiaoping gradually found the correct road of building socialism with Chinese characteristics. Since this explorative achievement was scored after a heavy price had been paid and huge efforts made, we should treasure it with 1,000 times or even 10,000 times more effort. We must continue to forge ahead along this road and let practice

prove that this road is a correct one. This is an unshirkable historical responsibility on the part of the Chinese Communists and people.

The theory of building socialism with Chinese characteristics has enriched and developed Marxist scientific socialism in many aspects. I want to cite some examples to briefly explain and prove this.

The theory has developed the Marxist theory of social development stages. In "Critique of the Gotha Program," Marx and Engels for the first time divided future communist society into two development stages, namely, the "initial stage" and "high stage" of "communist society." In light of the then historical conditions, they predicted that the proletarian revolution would first break out simultaneously in several developed capitalist countries. They believed that the "initial stage of a communist society" would be a relatively short period. Later on, Lenin summed up "two economically mature stages of communism" into "socialist society" and "communist society." The question that whether or not a socialist society is to experience more stages of development should be answered through practice. Practice and experience show that it was not the developed capitalist countries, but countries with relatively backward economies and cultures as well as relatively backward industrialized, socialized, and commercialized production, including such relatively poor and backward countries as China, which were the first to practice socialism. To these countries, socialism undoubtedly means a protracted historical process involving several stages of development. In carrying out socialist construction, we should take into account realities, namely, the actual national conditions, and decide on stages of development as well as the corresponding line, principles, and policies by proceeding from the most basic national conditions. We made a mistake in the past in believing that the socialist society represents only a relatively short period. We thought that transition toward communism is a task that must and can be fulfilled at once and even maintained that "communism will certainly be implemented in China in the foreseeable future." Reflected in practice, such vague understandings made us overanxious for quick results and purity and made us do things that should not and cannot be done and also things of which we are incapable. After the Third Plenary Session of the 11th CPC Central Committee, our party pointed out that the Chinese society is still at the initial stage of socialism, a specific stage China has to traverse while carrying out socialist construction under the conditions of backward productive forces and an underdeveloped commodity economy. This specific stage will last for at least 100 years. This theory generalized the PRC's basic experiences on the question of socialist development stages since its founding, and negated all sorts of illusions concerning communism in a short period of time, with the result that we worked out realistic economic and social development goals for both the present and for a long time to come, by seeking truth from facts.

The theory of initial stage of socialism is a basic component of the theory of building socialism with Chinese characteristics. By putting forward this theory, we succeeded not only in adhering to and developing the theory of socialist development stages advocated by the founders of Marxism but also in inheriting and developing the late Comrade Mao Zedong's new democracy theory in China's socialist period. According to the new democracy theory, China would move toward socialism in two steps, namely, new democracy and socialism. After nationwide victory in the new democratic revolution, China would traverse a so-called new democratic construction period during which we would gradually move from new democracy to socialism. This period started with the founding of the PRC and ended with the basic completion of the socialist transformation. By putting forward the theory of the initial stage of socialism, we succeeded in clarifying several consecutive development stages, namely, new democratic revolution, new democratic construction, and the initial stage of socialism, bringing to light an objective law by which China can move toward and build socialism, and displaying characteristics of the Chinese Communists in leading people forward along their own road.

The theory has developed the Marxist theory of socialist nature. The fundamental task of socialism lies in how to arrive at a scientific understanding of socialism. Socialism is the first stage of communism. According to Marx and Engels, even when productive forces have developed so that they break through the shell of developed capitalism, society will not yet have acquired abundant material wealth. Therefore, there should be a period called socialism in between during which productive forces will be developed at a fast rate, promoting comprehensive social progress and preparing necessary material and spiritual conditions for a communist society. What Marx and Engels referred to here was a situation which would have been witnessed in developed capitalist countries had they entered the socialist stage. Thus, it is necessary for backward countries to take developing productive forces as an overriding task after entering the socialist stage. The socialist theory of Marx and Engels touches on the question of productive forces and lays emphasis on the following two aspects: First, it stresses that a socialist society should be built on a material basis such as highly developed productive forces; second, it maintains that since a socialist country has already eradicated the contradiction between productive forces and production relations, its productive forces will certainly develop faster. Here, it makes no more mention of liberating productive forces as it holds that the task of liberating productive forces will have already been fulfilled. In the past, we made a terrible mistake by taking class struggle as a central task for a relatively long time after entering the socialist society. Over the past decade or so, we have deepened our understanding of socialism, particularly our understanding of such basic historical materialistic principles as productive forces determining the economic basis and the economic basis determining the superstructure. On

the basis of summing up the historical experiences and taking into account the new situations and new conditions, we have pointed out in no uncertain terms that the fundamental task of socialism is to liberate and develop productive forces. The nature of socialism calls for liberating and developing productive forces in order to eliminate exploitation and polarization and bring about common prosperity in the end. Under socialist conditions, it is imperative to liberate and develop productive forces. Liberating and developing productive forces remain one of the essential characteristics of socialism. These new summations and understandings have no doubt further developed the theory of scientific socialism.

The theory has developed the Marxist theory of ownership. The question of developing various economic elements by making the public ownership system predominant is a major theoretical and practical question now facing socialist development. To bring to light the nature of the socialist economy and differentiate between the socialist economy and other economies, Marx inferred basic characteristics of the socialist economy by means of scientific and theoretical abstraction, believing that the socialist economy is a pure and mature economic form. According to Marx, mature socialism is characterized by highly developed socialized productive forces. Under mature socialism, all the means of production are owned and disposed of by society as a whole. China's present productive forces still fall far short of the highly developed socialized productive forces predicted by Marx. At present, China's socialized productive forces are, by and large, still far from developed and can be divided into several levels. Over the past four decades or more, China has developed a modern industry at a fast pace with the result that it now possesses certain advanced technology and equipment. On the other hand, however, manual labor and self-sufficient production still account for a large proportion of China's agricultural production while manual labor and semimechanized production also takes up a large proportion of China's industrial production. China is a big country with unbalanced regional economic development. Production relations should conform with productive forces, otherwise productive forces will be unable to develop smoothly. By taking account of such multilevel productive forces, the party has correctly ruled that it is desirable to implement neither a unitary system of ownership by the whole people nor a total public ownership system and that it is imperative to allow various economic elements to coexist with one another while making the public ownership system predominant. This means that it is imperative to allow an economy owned by the whole people, a collectively owned economy, an individual economy, a private economy, and a foreign-funded economy to coexist with one another. These views have undoubtedly developed and contributed to the Marxist theory of scientific socialism.

The theory of building socialism with Chinese characteristics has extremely rich contents. Just as the 14th CPC

National Congress Report pointed out, the theory of building socialism with Chinese characteristics is the latest achievement in the integration of the basic tenets of Marxism and the concrete realities in China. Lenin once said: "Without revolutionary theories, there would be no revolutionary movements." Without the theory of building socialism with Chinese characteristics, there would be no practice of building socialism with Chinese characteristics. Practice is the source of a theory. Conversely, a theory can be used to guide practice. It is under the guidance of the theory of building socialism with Chinese characteristics that we have scored one achievement after another in reform, opening up, and modernization building over the past decade or more. In future, only by continually relying on this theory will we be able to win the final victory.

—We must forge ahead under the guidance of the theory of building socialism with Chinese characteristics and unwaveringly implement and carry out the party's basic line. This is the fundamental guarantee of the socialist cause, notwithstanding the trial of difficulties and risks, attaining the goal of modernization, and remaining invincible forever. The key to unwaveringly implementing the party's basic line lies in unwaveringly adhering to economic construction as the center. Under no circumstances should we vacillate in adhering to this center and deviate from or renounce it. All work should conscientiously submit to and serve this center. In order to unwaveringly adhere to the party's basic line, we must always unify adherence to reform and opening up with adherence to the four cardinal principles and try to fend off interference from both the "left" and the right. Negating reform and opening up means the "left," whereas negating the four cardinal principles means the right. Both talks given by Comrade Deng Xiaoping last year and the 14th CPC National Congress Report stated: On the question of adhering to the party's basic line, party members, especially party leaders, should heighten vigilance against the right, but mainly against the "left." This is an extremely important point. With this clear-cut understanding in mind, we will be able to more clearly and more comprehensively analyze and handle questions, adopt and continue to adopt a scientific attitude by seeking truth from facts, more consciously and more resolutely implement and carry out the party's basic line, quicken the pace of reform and opening up, and successfully and constantly push ahead with China's economic development and social progress.

—We must forge ahead under the guidance of the theory of building socialism with Chinese characteristics and speed up the building of a new and vigorous socialist market economic structure. The goal of China's economic structural reform has an important bearing on both the overall and long-term development of China's socialist modernization building. After summing up both practice and experience over the past decade or more, the 14th CPC National Congress

explicitly stated that China's economic structural reform is aimed at building a socialist market economic structure. As an important content of the theory of building socialism with Chinese characteristics, this point has been written into the CPC Constitution and also the revised PRC Constitution. To attain this goal, the whole party as well as people of the whole country must unite as one, make unremitting efforts, and remove all sorts of obstacles. At present, to build a socialist market economic structure more rapidly, we must strive for breakthroughs in the following six aspects: 1) To shift the operative mechanism more quickly and invigorate state-owned enterprises in a down-to-earth manner. The key to successful enterprise reform lies in separating enterprise functions from government functions and turning enterprises into legal entities and principal market competitors enjoying operational decision-making powers, assuming full responsibilities for profits and losses, and carrying out self-development and self-restraint. 2) To actively develop all types of markets and gradually build a relatively perfect market system comprising two aspects: first, to build all types of markets, and, second, to standardize and rationalize the free flow of essential production elements. 3) To speed up price reform as well as build and perfect a pricing mechanism in which market prices remain predominant and a system under which the state regulates and controls market prices. In the next five years, it is necessary to concentrate efforts on eliminating "double-track" prices of the means of production and on properly raising the prices of communications, transportation, energy, and other basic industries. 4) To further reform the labor wage system. 5) To vigorously push ahead with social security system reform and urban housing system reform. 6) To reform and perfect macroeconomic regulation, control, and management. To this end, it is necessary to further reform planning work, investment, financial, and taxation structures, deepen banking structural reform, and build an authoritative central bank regulation and control system.

It should be stated here especially here that, by and large, to smoothly and successfully build a socialist market economic structure we should unify our understanding on the following four basic questions: First, it is imperative not only to develop a market economy but also to concentrate first and foremost on eradicating maladies pertaining to a rigid planned economy; strictly abide by the law of value, law of market supply and demand, and the law of market competition; merge the domestic market economy with the international market economy; and draw upon and absorb experience from all countries the world over, including the developed capitalist countries. We must clarify this point and resolutely and boldly forge ahead in this direction. Second, the socialist market economic structure to be built in China is, after all, different from the capitalist market economic structure in terms of the ownership system. Therefore, we must make the public ownership system

predominant and never practice all-around privatization. We should distribute according to labor being predominant, gradually achieve common prosperity, and guard against polarization. We should never waver in these two aspects. Third, a modern market economy is absolutely not an anarchic, unbridled, and free market economy that is no longer found in either developed capitalist countries or new developing countries, and nor is it the socialist market economy we are going to develop. The socialist market economy should be a market economy under strong and effective macroeconomic regulation and control of the state and a market economy capable of bringing into full play the enthusiasm of socialist countries in assembling the necessary resources for building gigantic projects. The state macroeconomic regulation and control should only be strengthened rather than weakened. Of course, in meting out regulation and control, the state should avoid using old practices pertaining to a planned economy and strive to build a relatively perfect macroeconomic regulation and control system commensurate with market economic development through reform. Fourth, a modern market economy should be a standard, systematic, and legalized market economy operating in an orderly way and should be, in a sense, an economy operating within the orbit of a legal system and thus is a socialist market economy. We must formulate more economic laws, strictly enforce such laws, protect fair competition and legal operation, oppose monopolies and blockades, ban illegal operation, strictly prohibit tax evasion, and crack down on such acts as producing and selling false, counterfeit, and substandard products, to build and perfect a new socialist market economic order.

—We must forge ahead under the guidance of the theory of building socialism with Chinese characteristics and concentrate on pushing ahead with economic construction and promoting comprehensive social progress. The modern history of China and realities of the present world have clearly shown that economic backwardness will inevitably result in passivity and subjugation. The current international competition is in essence a trial of comprehensive national strength on the basis of economic, scientific, and technological development. Many countries in the world, especially countries and regions surrounding China, are now developing at a fast pace. Should we fail to bring about rapid economic development, we will find it hard to consolidate the socialist system and maintain nationwide stability and security for years to come. Just as the 14th CPC National Congress Report pointed out: "Whether or not China's economy embarks on rapid development is both a major economic issue and a major political issue." Meanwhile, the report also put forward some major tasks and measures for pushing ahead with economic development and social progress. At present, apart from vigorously pushing ahead with economic and political structural reform, as well as speeding up administrative and management structural reform and institutional reform, we should also make redoubled efforts to expand opening up to the

outside world, readjust and optimize the industrial structure, speed up scientific and technological progress, vigorously develop educational undertakings, accelerate regional economic development, rationalize nationwide economic structure, constantly improve the people's living standards, step up Army building, enhance the national defense capability, and strengthen solidarity among people of all nationalities across the country. As these tasks and requirements are interrelated and mutually promotive, we should make great efforts to fulfill all of them.

—We must forge ahead under the guidance of the theory of building socialism with Chinese characteristics and vigorously step up socialist spiritual civilization building while stepping up material civilization building. This is a powerful guarantee of our socialist country marching forward along a correct path. In order to push ahead with the great cause of socialist modernization building we should not only build a high degree of material civilization but also build a high degree of spiritual civilization. Socialism will eventually overwhelm capitalism in terms of both material civilization and spiritual civilization. As socialism is a social system superior to capitalism, it will inevitably levy higher requirements on spiritual civilization. At the moment, a host of realistic problems still exist in Chinese society. This situation also requires us to attach sufficient importance to spiritual civilization building. The two social systems, namely, socialism and capitalism, will continue to coexist in the world for a long time to come. Capitalism is bent on subjugating China and is still trying to bring about peaceful evolution by all means. Given this situation, we must attach greater importance to socialist spiritual civilization building and consciously resist ideological infiltration by international hostile forces with a view to winning this "smokeless war." Only by simultaneously building two civilizations, namely a high degree of material civilization and a high degree of spiritual civilization, will we be able to bring about faster and sustained national economic growth and prevent material civilization building from deviating from the socialist orientation. Only by constantly stepping up socialist spiritual civilization building and improving the scientific, cultural, and political qualities, as well as the ideological and ethical standards of the entire nation, will we be able to effectively develop socialist social productive forces, enhance comprehensive national strength, raise people's living standards, and bring into full play the superiority of the socialist system.

A prevailing view in the world at present is that China's achievements and experiences in building socialism with Chinese characteristics are of major global significance, this being a commendation and affirmation of our work. We should not become complacent and overoptimistic upon hearing this. It should be pointed out that we have only done things we could and should in accordance with our understanding of socialism. We will continue so to

do and should do many other things well, fulfilling many more extremely arduous tasks. Of course, drastic changes in Eastern Europe and the disintegration of the Soviet Union have cast a shadow over the international communist movement. Nevertheless, China has remained calm and in good order in spite of such drastic changes. The landscape here is beyond compare. China is still unwaveringly marching along the socialist road. The momentous achievements we have scored in exploring a socialist road with Chinese characteristics will naturally draw worldwide attention and have an important and profound influence around the world and we should be aware of this point. Nonetheless, we should understand more clearly that in view of our past brilliant achievements, future heavy tasks, and a long road in the future, we should still make unremitting efforts in the years to come to truly bring about socialist modernization and provide the world with successful examples and experiences.

The present world is a diversified one. Any country has the right to choose its own social system, ideology, and mode of development. All socialist countries should independently explore a law of socialist construction commensurate with national conditions and create socialist patterns with their own characteristics by keeping the initiative in their own hands. Given the unbalanced global development, divergent historical backgrounds, and the economic, political, and cultural development of various countries, people in various countries will inevitably choose different roads leading toward socialism and build socialism in different ways. In essence, they will independently carry out their own socialist movements. There has never been, and will never be, a unified mode of development suitable for all countries concerned. Therefore, every socialist country should try to build socialism with its own characteristics. As a result, different socialist countries will build different types of socialism. The CPC has always independently carried out revolution and construction by keeping the initiative in its own hands, holding that the fate of China's socialism is in the hands of the Chinese people. We have always emphasized drawing upon the experiences of others but have never mechanically transplanted the experiences of others or forced our own experiences upon others. Nevertheless, while exploring the road of building socialism with Chinese characteristics we also suffered setbacks and learned lessons because we had mechanically transplanted modes of development from other countries. We have gradually formulated a whole set comprising the correct line, principles, and policies, mainly on the basis of summing up our own successful and unsuccessful historical experiences in building socialism. Nonetheless, we have also drawn upon both successful and unsuccessful historical experiences in other countries in building socialism. Thus, I believe that both successful and unsuccessful historical experiences of socialist practice across the world are the common precious wealth of the progressive mankind and are capable of educating and encouraging people. The present low ebb of socialism across the

world is but a temporary phenomenon. As we know, there are both low ebbs and high tides. It is absolutely wrong to become pessimistic about and lose confidence in the future of socialism. In the wide historical perspective, we should have full confidence in the future of socialism.

The progress, methods, and experiences of China's socialist reform have now become a global topic. China's reform, which started with the rural areas, has vigorously pushed ahead with rural economic growth and solved, in a timely manner, the problem of food and clothing for about 1.1 billion Chinese people. As a result, the reform has received support from people in both the urban and rural areas, especially the broad masses of peasants who account for more than 80 percent of the Chinese population, and this is a major characteristic of China's reform. It is this major characteristic that has ensured political and social stability in China and a favorable environment for the smooth progress of the overall reform. Many foreign friends, who cherish friendship and affection for China, have spoken highly of this characteristic. Nevertheless, certain Western media have made frequent attempts to distort and attack this major characteristic simply because China is still adhering to the Communist Party leadership and has time and again reiterated its refusal for both a multiparty system and parliamentary system as practiced in the West. China has also turned a deaf ear to their attempts to distort and attack this major characteristic and has forged ahead along its own road. China maintains that both domestic and international practice has fully attested to the correctness of its endeavors. In a word, China's reform and opening up are aimed at liberating and developing the productive forces and consolidating and developing socialism. Therefore, we should forever adhere to this correct orientation.

In conclusion, I would like to emphasize that the theory of building socialism with Chinese characteristics should be continually enriched and developed through practice. At the beginning of this article, I stated that the 14th CPC National Congress made both profound expositions and scientific summations, raising our understanding of the theory of building socialism with Chinese characteristics to a new level. This new level is only evidenced in comparison with our previous understanding and is certainly not the pinnacle of our understanding in this regard. The pinnacle theory is an incorrect one. All universal things are constantly developing and so is human understanding, which is continually moving toward truth. However, there is no absolute truth. The theory of building socialism with Chinese characteristics as generalized by the 14th CPC National Congress reflects the CPC's understanding of socialism to date. Such an understanding will continually be enriched and developed. The theory of building socialism with Chinese characteristics is known for two outstanding characteristics, namely, practicality and openness. The theory originates from practice and will, conversely, return to practice and guide practice. It will

be tested, enriched, and developed in practice. Only through such a cycle of practice—understanding, repractice, reunderstanding—will people be able to deepen their understanding and move from the realm of necessity to the realm of freedom. The theory itself is by no means a closed system. It is a system that is constantly absorbing two new types of ideological nutrition: China's excellent traditional culture and latest practice and the creativity of more than 1 billion Chinese people; and the achievements of modern civilization all over the world, including the developed capitalist countries. So long as we continue to work in this orientation for a long time to come, the theory of building socialism with Chinese characteristics will undoubtedly be enriched and perfected still further and will be full of vigor and vitality forever.

Beijing Workers Strike To Protest Relocation

*HK3006105093 Hong Kong AFP in English 0945 GMT
30 June 93*

[Text] Beijing, June 30 (AFP)—Hundreds of workers at a state-owned factory here have gone on strike to protest alleged abuses of China's reforms, warning that the dispute has harmed the communist party's image.

It was the first known labor unrest in the Chinese capital since leader Deng Xiaoping launched China's painful transition to a market economy last year.

The strike at the Beijing Cooling Machinery Factory entered its third day Wednesday, with dozens of workers gathering outside the factory's gates to air their grievances. The factory, located on Beijing's main thoroughfare, employs more than 1,000 workers.

Workers applied to hold a street demonstration, but were turned down by the police.

The dispute centers on alleged abuses by the factory's parent company. The company, Beijing Building Materials (Group) Corp., illegally took over the factory, the workers claim. But the firm's general manager, Zhang Yi, said the takeover was perfectly legal.

"This action has severely affected the communist party's image and caused considerable harm to the interest of workers," said a statement by the factory employees. "We are extremely furious."

The workers have been informed that they will have to move out of the factory compound to an affiliate factory in a distant Beijing suburb, where conditions are far worse. Workers said they would resist relocation.

Widespread unrest has been reported in China's countryside this year, but the strike here indicated that urban discontent is also on the rise. A surge in the cost of living and debt-ridden state firms unable to pay salaries has generated growing tension in some of China's major cities.

Dissident Prevented From Visiting Hong Kong

HK3006041893 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 30 Jun 93 p 1

[By Willy Wo-lap Lam]

[Text] A veteran dissident at Beijing University has been denied permission to come to Hong Kong to teach a short course on Chinese law. Sources in Beijing said yesterday Yuan Hongbin, a specialist in criminal law, was told by the university's Communist Party committee he could not come to the territory to take part in a programme jointly organised with the local Shue Yan College. The sources said Mr Yuan was outraged because the party committee, reportedly dominated by leftists, had given him no reason.

Mr Yuan faced more than three years of investigations for his alleged role in the 1989 pro-democracy movement. Although he was never detained by police, the official ruling on Mr Yuan's case said he "would be subjected to further investigation and evaluation within the Communist Party", of which he is a member.

Friends of the dissident said three heads of the party cell in the university's law faculty had been replaced because they had shown sympathy towards his case.

Beijing authorities had decided to "rein him in" because Mr Yuan had masterminded two anti-leftist anthologies last year, Trends of History and Memorandum on Anti-Leftism. Mr Yuan tried to sue the party committee of the People's University, which published Trends of History, for trying to block the book's distribution. The friend said he wanted to come to Hong Kong for a few months.

Dissident Wang Xizhe Defies Security Rules

HK3006051893 Hong Kong SOUTH CHINA MORNING POST in English 30 Jun 93 p 7

[Report by Chris Yeung]

[Text] A leading mainland dissident has defied a ban on talking to foreign journalists and publishing articles, according to his friend Lau Shan-ching. Wang Xizhe, who was freed early this year after 12 years in jail for his role in the 1979 Democracy Wall movement, said he would rather go back to prison if he was not given personal freedom.

Mr Lau, a Hong Kong dissident, was released last December after serving a 10 years in prison for convictions on "counter-revolutionary" charges in Guangdong. He said in Hong Kong yesterday that Mr Wang had recently been asked by the Chinese authorities not to give interviews to foreign journalists, publish articles or do business on the mainland.

Mr Wang rejected the restrictions imposed by Public Security Bureau in Guangzhou saying they were unreasonable. He had threatened to petition against the Beijing Government.

Mr Lau said: "He was later allowed to do business in Guangzhou. He was told that he was still on parole and could not leave Guangzhou to do business elsewhere." Mr Wang said he planned to find a foreign partner to open a children's bookshop in Guangzhou.

He has also decided to go ahead with his plan to write a memoir on his days in Guangdong prison, despite the ban. Mr Wang, 45, was accused of "counter-revolutionary incitement, organising and participating in subversive groups and rebellion against the Government".

Reportage on NPC Standing Committee Sessions

Discussion of Foreign Treaties

OW2606085993 Beijing XINHUA in English 0827 GMT 26 Jun 93

[Text] Beijing, June 26 (XINHUA)—Chinese legislators here today listened to explanations on motions concerning five foreign-related treaties at a plenary session of the ongoing second meeting of the National People's Congress (NPC) Standing Committee.

Among the five pacts are the consular treaties between China and Moldova and Bolivia.

The others include the civil and criminal judicial mutual assistance treaties between China and Belarus, Kazakhstan and Ukraine.

Authorized by the State Council, Vice-Foreign Ministers Yang Fuchang and Liu Huaqiu outlined the motions to the legislators.

Qiao Shi, chairman of the NPC Standing Committee, attended today's session, which was presided over by NPC Standing Committee Vice-Chairman Qin Jiwei.

Consideration of State Budget

OW3006132493 Beijing XINHUA in English 1239 GMT 30 Jun 93

[Text] Beijing, June 30 (XINHUA)—Although China's revenues in the first five months exceeded expenses, the surplus is over 20 billion yuan less than for the same period last year.

Li Hao, deputy director of the the Financial and Economic Committee of the National People's Congress (NPC), China's legislative body, delivered an examination report on the 1992 final state account at the ongoing session of NPC Standing Committee today. In the report the State Council also reported on the implementation of the state budget from January to May this year.

Outstanding financial problems at present include that the increase of revenues is slower than economic development, and expenses are increasing too fast, said the deputy director.

The committee holds that strong measures should be taken to control investment in fixed assets, the issue of loans and money, in order to curb inflation.

The committee called for deepening economic reforms and stepping up the establishment of a financial system suited to the socialist market economy.

To solve the problems in the implementation of the budget this year, the management of the state budget must be strengthened and local revenue and expenditure must be kept in balance, Li said.

"This is the key point for the deficit budget this year not to be exceeded," he stressed.

The NPC Financial and Economic Committee also suggested strengthening the work of taxation, finding new sources of revenues, and speeding up the formulation of laws on real estate and stocks.

Expenses must be limited, and financial orders be straightened out. Those who gather funds through raising interest rates must be punished, the committee proposed in its examination report.

Commission To Emphasize Ethnic Minority Rights

HK2406095493 Beijing CHINA DAILY in English 24 Jun 93 p 3

[By staff reporter Wang Rong: "Focus Put on Rights of Ethnic Minorities"]

[Text] Chinese ethnic affairs specialists will focus their efforts on legislation and public education to push forward enforcement of the Constitutional rights that China's 55 ethnic minorities enjoy, according to the State Nationalities Affairs Commission (SNAC).

High on SNAC's agenda for the next seven years is the formation of a comprehensive framework of laws and regulations concerning nationalities. This effort is also to be completed with a monitoring mechanism, said Yang Houdi, director of SNAC's Policies and Regulations Department.

"We have laws and regulations, but there are blanks to fill in," he said.

There isn't a law, for example, to protect the rights of the 20 million ethnic people living in non-autonomous regions.

"Such a law will make the legal protection complete, together with the Constitution and the basic law on ethnic region's autonomy," he said.

To date, China has 159 ethnic autonomous regions, prefectures and counties.

With 8 percent of its 1.2 billion population made up of minority nationalities, the Chinese Communist Party has since 1949 established a legal and administrative system that has translated China's ethnic equality principles into action.

According to Yang, ethnic equality means equal political and legal status in state and social realms, the same rights and duties, no privileges for and no discriminations against any particular nationality, and the government's obligation to see to it that some less-developed nationalities full enjoy [as published] some of the rights which otherwise would not reach them.

The present Constitution has 18 articles addressing minority nationalities' rights in political, economical, cultural and all aspects of social life. Almost all the nation's basic laws have particular lines that reflect the principle of equality between all nationalities.

Moreover, at least 280 national and local laws and regulations concern minority protection.

A set of preferential policies, plus funds, skilled persons and materials granted to ethnic places were also meant to materialize the theory that all nationalities develop together.

However, public education is no less important to maintain national equality and concord, the targets of the legal system and administrative network.

"We must promote, by all means, a sustained and practical nationwide education programme to disseminate the government's ethnic policies and the spirit of the laws," Yang noted.

That includes the activity of honouring individuals and units that contribute most to "national unity and concord" and ethnic-related knowledge competitions.

Yang disclosed that a group of youths and units will be granted the National Unity Award at the end of this month to conclude the year-long project organized by SNAC and the Central Committee of the Communist Youth League.

Also scheduled for the end of June is the publication of a collection of articles about China's ethnic-related legal administration system, which is to serve as public education material.

Economic & Agricultural

RENMIN RIBAO on New Financial System

OW3006062093 Beijing XINHUA in English 0605 GMT 30 Jun 93

[Text] Beijing, June 30 (XINHUA)—New financial and accounting systems for Chinese businesses will come

into effect July 1, a move designed to cater to the country's shift from the planned commodity economy to a socialist market economy.

The new unitary financial and accounting systems will be applicable to all enterprises and companies, no matter who own them or how they are constituted.

A commentary in today's PEOPLE'S DAILY says the new system will make all enterprises compete on an equal footing.

Differing from the old financial system, the new one will require international standards for the establishment of capital funds, cancel fund deposits with special accounts, change depreciation and cost management, and establish a new financial index.

In order to familiarize accountants with the new system, the Ministry of Finance has sponsored six-month training courses for the nation's 10 million accountants.

State Holds Teleconference on Treasury Bonds

OW3006054893 Beijing Central People's Radio Network in Mandarin 1030 GMT 19 Jun 93

[By station correspondent (Wang Danyan)—from the "National Hookup" program]

[Text] The Ministry of Finance, the State Economic Restructuring Commission, and the Securities Committee of the State Council jointly held a telephone conference today, calling for taking measures to expedite fulfillment of this year's task of issuing state treasury bonds.

It has been learned that the Ministry of Finance has already decided to apportion 2 billion yuan out of the total amount of state treasury bonds to be issued this year to the China Stock Market Research and Design Center, which will be entrusted with the task of assisting in organizing an experiment on issuing and selling state treasury bonds in 1993. A series of new reform measures will be carried out in the experiment in addition to asking relevant financial institutions to undertake sales of state treasury bonds by nominal means. The most important of the new reform measures is to establish a system of first-class traders who market state treasury bonds on their own and to adopt a method of transaction at net price during nominal circulation.

The first-class traders who market state treasury bonds on their own refer to the financial institutions that are qualified to directly do business in the first-class state treasury bond market and, meanwhile, to assume appropriate obligations in the second-class market for state treasury bonds. In other words, first of all, they undertake the task of selling state treasury bonds in the first-class market directly from the Ministry of Finance; help the state fulfill the task of raising funds via state treasury bonds through their own accommodation activities, sales agencies, and retail sales; and gain their own

earnings through business operations. After state treasury bonds go into circulation, they must make vigorous efforts to promote sales of state treasury bonds by themselves and set up sales agencies to maintain circulation of state treasury bonds in the second-class market.

The fact that China's experiment with selling state treasury bonds undertaken by approved first-class traders who market state treasury bonds on their own this year shows that our country has taken another step forward in subjecting the issuance of state treasury bonds to market mechanisms.

Bank of China Issues Eurobonds in London

HK2806144593 Beijing ZHONGGUO XINWEN SHE in English 1206 GMT 28 Jun 93

[Text] Beijing, June 28 (CNS)—The vice president of the Bank of China, Mr. Yang Huiqiu, today signed an agreement with some international consortia in London on the issuance on the London market of U.S.\$200 million worth of five-year European bonds. This is the first time since 1988 that the bank has returned to the European market to raise medium- and long-term capital.

The agency group responsible for the flotation is made up of 32 well-known banks and securities companies.

Success in the issuance of the bonds has been due to the striking success in China's reform and opening which has drawn world attention along with its financial strength, steady and reliable management and high prestige in the banking sector, according to the official in charge of the bank's capital department. Since the bank made public that it would soon return to the London market, many foreign financial institutions had hoped that they could be involved in the floating of bonds by the bank. Receiving a very keen response from the market, the bank turned out a successful issuance of bonds, 65 percent of which had recently been sold to European investors. The bonds will soon be available for trading in the London securities exchange.

The Bank of China has collected capital worth some U.S.\$3 billion on 20 occasions since 1984 from the capital markets in Tokyo, Singapore, Frankfurt and London, lending support for the construction of key items.

Bank, Offshore Developer Agree on Gas Deal

HK2806075893 Beijing CHINA DAILY in English 28 Jun 93 p 2

[By staff reporter Zhang Yuan: "Bank Pipes \$530m Cash Loan Into Gas Plans"]

[Text] China's largest commercial bank signed a \$530 million deal with the country's offshore oil developer on Saturday.

The Industrial and Commercial Bank of China will lend the hard cash to the China National Offshore Oil Corporation (CNOOC) for it to develop natural gas in South China Sea.

The loan, the largest ever in hard currency by the bank, has already been approved by the State Council.

And CNOOC and its foreign partners, Arco China Inc of the U.S. and the Kuwait National Petroleum Corporation, will now develop the natural gas field codenamed "Ya 13-1".

The field has reserves topping 100 billion cubic metres and is the largest China has discovered.

The production is expected to last 20 years.

In March 1992, the Chinese and foreign developers signed an agreement in Beijing with a Hong Kong-based company.

Under that deal, the developers will start to supply an annual 2.9 billion cubic metres of natural gas to Hong Kong from January 1, 1996, for a giant thermal power plant.

At the same time, they will supply 500 million cubic metres of natural gas a year to Hainan Province.

To bring it ashore, the developers have to build an 800-kilometre undersea pipeline to Hong Kong and another 100 kilometres long to Hainan.

The project will need investment worth several billion dollars, said a spokesman for the bank.

The bank's total assets hit 1,430 billion yuan (\$250.87 billion) by the end of last year, of which its hard currency assets were \$7.8 billion.

Bank president Zhang Xiao, said it would be bidding to further strengthen cooperation with foreign financial circles to raise more money from abroad for the country's economic construction.

In March last year, the bank established its first overseas office in Singapore.

Trial Filling of 3 Gorges Cofferdam Progressing

*OW2906115593 Beijing XINHUA in English 0728
GMT 29 Jun 93*

[Text] Yichang, June 29 (XINHUA)—The first-phase trial filling of a cofferdam is in smooth progress at the Three Gorges in the middle reaches of the Yangtze River.

The cofferdam is an important item for the planned construction of the gigantic water control project at the Three Gorges site. During the trial filling, an experimental section, which is expected to have a length of 813 m and a height of 78.5 m, must be finished.

More than 1,000 construction workers, together with more than 90 trucks and other equipment, are working hard day and night to ensure the completion of the section before the flood season along the Yangtze, which begins in July.

According to officials with the corporation for the development of the project at the Three Gorges, so far they have completed filling in more than 3.7 million cubic meters of earth and stone, and finished 1,800 cubic meters of concrete pouring. In addition, they have also completed the installation of 16.9 km lines for supplying electricity and 10,000 meters of water supply pipelines.

State Names Model Technically Advanced Firms

*OW2906131093 Beijing XINHUA in English 1151
GMT 29 Jun 93*

[Text] Beijing, June 29 (XINHUA)—100 large or medium-sized enterprises have been picked as models in the promotion of technological advancement, highlighting China's fresh bid to enliven state-owned plants.

Major industrial giants such as the Capital Iron and Steel Corporation, the Wuhan Iron and Steel Company and the No. One Automotive (Group) Company topped the honor roll.

The State Statistical Bureau and the State Economic and Trade Commission, cosponsors of the appraisal activity, announced the results at a press conference here today.

This is China's first such activity in this regard, which the sponsors said is aimed at promoting use of state-of-the-art technology in invigorating inefficient state-owned enterprises.

China now has 17,000 large or medium-sized enterprises, which account for about 45 percent of the country's overall industrial enterprise turnover.

Making up less than three percent of China's total number of industrial enterprises, the large or medium-sized plants account for over 60 percent of the cumulative profits that enterprises hand over to the state each year.

However, according to officials from the State Economic and Trade Commission, many large or medium-sized enterprises—usually called the backbone of the national economy—are not vibrant, with some even sliding deep into the red.

In efforts to raise efficiency of those enterprises, the Chinese Government has repeatedly urged them to make more use of advanced technology and encourage technical renovation.

So far, 62 percent of China's large or medium-sized industrial enterprises have taken technological development as a major means of uplifting production efficiency and saving energy.

In 1992, China earmarked over 25.3 billion yuan (about 4.2 billion U.S. dollars) to promote technological advancement in large or medium-sized enterprises.

Economist Discusses 'Triangular Relations'

HK2806144893 Beijing ZHONGGUO XINWEN SHE
in English 1430 GMT 28 Jun 93

[Text] Beijing, June 28 (CNS)—Deputy director of the Economic Research Centre under the State Planning Commission, Mr. Huang Fanzhang, recently proposed the concept of a new three triangular strategy, arousing the interest of his fellow economists.

Mr. Huang held that now and in the foreseeable future, China will face a new pattern of triangular relations at three levels, greater, medium and lesser, with the greater being relations between China, Japan and the United States. The medium level is between China and the "four small dragons" and the ASEAN countries. The lesser level is between the Mainland, Taiwan and Hong Kong. These triangular relations will become the main basis for China in drawing up its economic strategy.

Among the lesser level relationships, economic exchange has developed very fast in the past ten or more years. The Mainland needs capital, technology and management experience from Hong Kong and Taiwan, while Hong Kong and Taiwan needs the Mainland's resources and its market. Hong Kong and Taiwan needs external support in the development of new science and technology and technologically-intensive industries. The mainland can offer such support and cooperation to them. Hong Kong and Taiwan's labour intensive and resources intensive industries, facing international competition, are shifting into the Mainland. The combination of the economies in the lesser triangular relationship has become an objective trend and this will produce obvious achievements within this century.

The medium-level relationships are complementary and competitive in the economic development in the mainland, the "four small dragons" and the ASEAN countries.

In the greater level relationships, economic and trade relations depend on the economic strategy and bilateral relations among the three countries.

Economist Says Price Reform at 'Crucial Stage'

OW2806134293 Beijing XINHUA in English 1047
GMT 28 Jun 93

[Text] Beijing, June 28 (XINHUA)—China's price reform is at a crucial stage and is expected to make a breakthrough within three to five years.

This is the view expressed by Wang Shiyuan, a senior economist and secretary general of the State Commission for Restructuring the Economy.

In an interview with XINHUA, Wang said the reform faces two "strongholds to storm"—how to eliminate double-track prices for raw materials and upgrade an imperfect pricing mechanism for means of production. These two factors are impeding China's development of a socialist market economy.

Through more than a decade of national reform and opening to the outside world, the secretary general said, China's economic strength has obviously been enhanced. The supply of commodities is meeting market demand except for a small number of domestic electrical appliances. People have adapted to price fluctuations.

"These are the favorable factors to push ahead with the national reform of the pricing system," he said.

In the 30 years after 1949 when New China was founded, the nation implemented a highly-centralized pricing mechanism, under which prices for almost all capital goods and living materials were fixed by the government. Enterprises had no say.

"This caused prices for products to deviate from their market value and hardly reflect the true relations between supply and market demand," Wang noted.

Since 1979 when China adopted the policy of national reform and opening to the outside world, it has gradually reduced the mandatory plan while steadily expanding market regulation.

The central government has lifted the price ceiling for commodities that have a favorable balance between the supply and demand.

Meanwhile, it has regulated prices for other commodities such as grain, cotton, coal and power.

According to statistics, prices for four fifths of the industrial and farm products were regulated by the market at the end of last year. This resulted in a new market price system coexisting with state fixed prices.

"Such a new system has rationalized prices in a way for purchasing farm products and for basic industrial goods, which used to be too low in the country for a long period of time," the secretary general explained.

Economists agreed that the reform of prices for ordinary goods was successful.

The issue of double-track prices for capital goods is still a hard nut to crack in the process of developing a socialist market economy.

The central government still controls the prices for 15 types of goods, most of which are important raw materials relating to the national economy and people's livelihood.

According to economists, the key to tackling this is to further deepen the reform of the price system.

They are calling for efforts to continue to reduce mandatory planning and management of commodities within the bearing capacity of the state, enterprises and individuals.

Different localities are pressing forward in the face of difficulties with the reform of the price system.

Every province, municipality or autonomous region has listed the establishment and development of market mechanisms, and the capital goods market system in particular, in their agenda for this year.

A series of reform measures for streamlining prices for iron and steel, coal and transport has gradually come into existence and the reform of wages and revenue is proceeding.

The secretary general said with confidence that "China is providing the conditions to reform the price system within three to five years."

'Expert' Contests Concept of Overheated Economy

HK3006115593 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0841 GMT 8 Jun 93

[Text] Beijing, 8 Jun (ZHONGGUO TONGXUN SHE)—Huang Zhiling, an expert with the State Planning Commission's Economic Research Center, said openly in the media here yesterday that the current economic growth in China is real economic growth during which economic quality and economic results are constantly improving, adding that one should not simply say that the Chinese economy is overheated by judging superficially from quantitative increases.

Huang Zhiling said that, when viewing China's economic growth, one should judge not only quantitative changes but also qualitative economic changes. He provided the following facts as a basis for his argument:

First, in the first quarter of this year, China's industrial production and marketability rate amounted to 95 percent, aggregate income growth from the sales of budgetary industrial enterprises was 29 percent, aggregate growth of realized taxes and profits was 40 percent, and aggregate growth of realized profits was as high as 219 percent.

Second, those regions registering speedy economic growth in the first quarter of this year are the seven provinces and regions in the eastern and southern coastal areas, whose industrial growth rates stood at 25 percent to 54 percent and accounts for 65 percent of the country's total in the same period. The main impetus for this economic growth was structural market economic reform.

Third, so far the supply of consumer goods throughout the country still exceeds demand; the supply of 96 percent of 582 kinds of major industrial consumer goods exceeds demand or basically equals demand. Provinces and cities with retail sales increases of more than 20

percent are concentrated in the eastern regions, but the growth rate of the country's retail sales is lower than the growth of light industrial production.

Fourth, comparatively high deposit rates and increasingly diversified public deposits have greatly alleviated the pressure of demand in the market, thus preventing the recurrence of the economic situation of 1988 when high growth rates and high inflation appeared simultaneously. This is the foundation on which China's economy can maintain a high growth rate without major problems occurring.

Huang Zhiling pointed out that the current problems in China's economy are the problems of market economic reform. There is a need to follow economic laws and to use economic methods to resolve these problems in the course of market economic development. For this reason, he made the following proposals:

First, it is necessary to establish a policy regulatory system with financial and monetary policies as the focus and coordination between the two major policies. Prominent problems existing in the macropolicy structure are: 1) financial and monetary policies have not been made the focus; 2) the formulation and implementation of other policies lack the support of financial and monetary policies; and 3) financial and monetary policies are restricting each other, thus causing a loss of overall balance, a structural imbalance, and weakening overall macrocontrol.

Second, it is necessary to strengthen the responsibility and authority of state finances and the central bank in implementing policies and to form a policy coordinating structure with the State Planning Commission as the main body.

Third, it is necessary to build a mechanism which can speedily turn the high level of deposits into investment. Proceeding from China's actual conditions, there is a need to formulate financial, monetary, and income distribution policies to encourage civilian deposits in order to create more means of capital accommodation and to expedite the transform civilian deposits into investment in the national economy to alleviate effectively the current pressures on the overall balance of the macroeconomy.

Fourth, it is necessary to form a guiding mechanism under an effective policy of regulated capital flow to speed up adjustment of the industrial structure. There is a need to speedily separate the policy functions of the banking system from its commercial functions to fulfill macroeconomic policy's dual targets of enlivening capital and adjusting the industrial structure. As far as investment in "bottleneck" industries is concerned, there is a need to practice preferential tax policies and financial discounts to guide and regulate capital flows.

Article Views 'Enterprise Craze' Phenomenon

OW2906104393 Beijing XINHUA Domestic Service in Chinese 2105 GMT 11 Jun 93

[By XINHUA correspondents Li Yafei (2621 0068 7236) and Chen Zhifeng (7115 1807 1496); "China's Enterprises—The Dialectics of Many and Few"]

[Text] Beijing, 12 Jun (XINHUA)—Nowadays, the enterprise registration sections of industrial and commercial administrative organs are daily drawing crowds of people who go there to apply for setting up enterprises. Some say that this year marks the third wave of the "enterprise craze," following 1985 and 1988. However, all people are not totally in agreement over the "enterprise craze" phenomenon; some feel that you do not call it a "craze" just because nowadays more people are launching businesses. They say that the phenomenon is nothing but a sign of economic dynamism. Others consider the phenomenon abnormal; however, most people adopt a cautious attitude when it comes to the current "enterprise craze."

Rapid Development and a Large Number of New Enterprises

The main indicators of the "enterprise craze" lie in the rapid development of enterprises and the large number of enterprises that have been set up.

Statistics from 1992 showed 1.25 million new enterprises were registered in China, an all-time record, which marked an annual growth of 26 percent. The strong development momentum continues unabated this year, with Beijing alone seeing the registration of 16,616 new enterprises in the first quarter; the number represented a 6.1 fold increase over the same period last year. With an average daily registration of 184 new enterprises, the increase in the number of new enterprises in Beijing this year far outstripped that of last year, which saw a daily average of 106 enterprises. Of the newly established enterprises, the number of state-owned enterprises began to climb, registering an increase of 8.1 percent from the same period last year. Of all trades, the tertiary industry showed the most rapid development, with the number of new enterprises engaging in the service trade registering a 8.3-fold increase over the same period last year.

What are the reasons behind such phenomenal enterprise growth?

Some analysts attribute this phenomenal growth to the following: In recent years, the state had, in line with international practices, relaxed its policy on market access principles. It reduced the power of competent departments over the examination and approval of new enterprises; it scrapped some requirements for permits, as well as requirements for special approvals to set up enterprises, since these requirements are no longer adapted to market economic demands. It effected changes in the practice of checking every application at each level and of stamping seals on every document,

enabling people to directly register with the industrial and commercial departments and by-passing relevant departments' examination and approval of their applications. Industrial and commercial departments, following international practices, have simplified procedures and lifted restrictions on enterprises' scope of operation and operating style. The Beijing Municipal Industrial and Commercial Bureau has introduced some 30 reform measures to the enterprise registration system since last year and issued business operating permits in a simplified and prompt manner.

Many trades in China were monopolized under the past's highly centralized planned economic system. Foreign trade is one of the most typical cases, but now reform has broken foreign trade's monopolized operations. Not long ago, the state granted 100 scientific research institutes the right to carry out foreign trade for the first time; they were allowed to operate foreign trade enterprises and to directly compete on the international market. Some 50 large and medium-sized enterprises and groups with over 300 affiliated enterprises under them in Beijing alone have so far been given the right to operate foreign trade enterprises. The multiplication of the number of foreign-trade enterprises is the result of various economic sectors beginning to take part in export businesses and their entry into the foreign trade sphere.

It is necessary to return autonomous rights to enterprises. With the gradual expansion of investment-decision rights, enterprises may now freely exercise their investment freedom according to market demands. Enterprises may now leap out of their small and limited operating activities and extend to other industrial departments and take part in production, trade, finance, real estate, and other fields; they may now shift from single operations to multiple operations and turn from operating one plant to many plants. Amid readjusting the product mix and industrial structure, a large number of surplus labor from secondary industries have now entered the service trade to run various kinds of enterprises, thus giving rise to the proliferation of companies supplying social services, providing warranties for business transactions, offering consultative services related to foreign economic affairs, as well as to spawning other new professions and trades.

In their efforts to transform functions, trim personnel, and simplify administration, party and government departments at all levels have created a large number of surplus cadres. Enterprises established by these cadres have sprung up like mushrooms after their separation from organs and departments.

The question now is whether there are too many enterprises. Experts say market demand should be the criterion for looking at the issue of whether there are too many enterprises or not and the rationality of industrial structure and economic effects should be made the standard for judging whether there are too many enterprises. An analysis of the current craze to establish

enterprises shows that the phenomenon of recklessly setting up enterprises in a rush really does exist as a result of the strong emphasis placed on local interests, to the imperfect market system, to the distortion of market information, and to other reasons. In addition, some government departments-turned-companies and "hastily arranged" business consortiums, which are the result of organizational reforms, still retain many of the functions and powers of the former government organs and departments, as well as exclusivity and monopolies. Because these companies and consortiums are not in line with market economic requirements, measures should be adopted to prevent their appearance and to rectify their shortcomings.

Some are also of the opinion that the number of enterprises in China is not large enough. They base their argument mainly from the standpoint of industrial structure and economic effect; they say that some basic industries, communications and energy, for example, which should have "heated up," failed to do so. The failure of these basic industries to "heat up" has seriously hampered our country's economic development. We may thus say that there are not too many but too few enterprises engaged in these trades. There are also many unexplored areas in the tertiary industry.

Let the Market Play a Regulatory Role

A large number of "minibus taxis," whose bodies are painted yellow and which bear the sign "Taxi," have sprung up overnight on the streets of Beijing. People jokingly call them the "Yellow Plague." The mushrooming taxi industry is both a source of joy and worry for people. People are happy because the fares charged by "minibus taxis" are commensurate with the consumption levels of most consumers, and because the resulting competition-induced services are a welcome development to consumers. Some people, however, worry that the ever-proliferating taxi companies will cause reckless, and somewhat runaway, competition among taxi companies.

This phenomenon among taxi cabs can be described as typical of our present economic life. All comments on this phenomenon also reflect the problem of the "business craze." Having experienced the refrigerator, color television, and stereo fads during the shift from the planned economy to a market system, people should recognize this fact: Market demand is gradually replacing planning in the establishment, production, and management of enterprises.

Enterprises will inevitably be regulated by market demand after they enter the market. Operating in a unique manner, this "invisible hand" continually supplies a massive amount of information to enterprises, steering their operations and influencing their production and management. When demand outstrips supply, it prompts enterprises to expand production and consequently leads to the expanded ranks of newly established enterprises. Conversely, when supply exceeds demand, it

exhorts enterprises to curtail production, causing some enterprises to switch to other lines of production. Whoever is keenly aware of and responsive to changes in market demands gains the initiative in market competition. This is an objective law in a market economy.

Will the number of enterprises grow "inordinately?" In the past, administrative means were the only source of solutions to most problems. In developing a market economy, the government should abolish the previous method of closing down enterprises, suspending their operations, merging them with other enterprises, or transferring them to other lines of production through purely administrative means, in favor of market economic means which are mainly based upon competitive mechanisms.

Competition is a fundamental law in a market economy. In a competitive setting, there are both hopes for success and chances for failure for enterprises. Competition for skilled personnel, technology, and product quality can ultimately lead to the success or failure of enterprises. It can lead to high efficiency and enormous returns, thereby contributing to an optimum mix of production factors and the rational deployment of resources. Competition among enterprises ensures the survival of the fittest. In reality, this situation can help maintain the number of enterprises at a reasonable "level," in addition to maintaining some degree of equilibrium between supply and demand. According to analysts of relevant affairs, approximately two-thirds of the enterprises that produce refrigerators and freezers nationwide are now in strained circumstances and may withdraw from the market. On the contrary, a few refrigerator-producing enterprises, having secured a firm footing during competition, will "carve anew" China's refrigerator market on the basis of this new footing. This development was caused by the way the market competition mechanism affected the "refrigerator craze" over the past few years.

To be sure, market regulation is not omnipotent; it is flawed in some way because of random and slow responsiveness. This situation can disrupt the economic balance. Take the taxi industry as an example. It would be unrealistic to recklessly expand this industry because its development is contingent upon many factors, such as highways, communications, and energy. In pursuing a market economy, therefore, the government should make greater use of the "visible hand." In reality, governments in present-day capitalist society also guide and regulate enterprises through various means. In our country's socialist market economy, the government should doubly increase macroeconomic regulation and control; make full use of economic levers, legal devices, and administrative means; and provide active guidance to enterprises in their operations through policy, taxation, and information dissemination. This approach will help combine state guidance planning with enterprises' independent decisionmaking powers to ensure that the product mix in the national economy will be generally rational.

It would seem that both the "invisible hand" of market regulation and the "visible hand" of government guidance are necessary for determining a proper "scope" of development for enterprises. These two hands work in tandem, and neither can be abolished at the expense of the other.

A Call for Fair Competition

As a cost-cutting and profit-making exercise, a substantial number of enterprises that produce soft drinks now reportedly resort to shoddy processes and inferior materials without regard for product quality, leading to a glut of low-quality soft drinks on the market. Meanwhile, according to relevant departments, our country's automobile industry remains "in disarray." Only 20 of the hundreds of automobile plants are truly capable of producing up to 10,000 units each. This is a dire situation considering the challenge arising from "GATT accession."

This state of affairs in enterprises that produce soft drinks and automobiles typically reflects "chaos" and "disorderliness" in the present stage of economic development. Unfair competition—the production and sale of fake and shoddy commodities in large quantities and the infringement of patent rights—persists despite repeated attempts to ban it. Buying or selling products fraudulently, practicing fraud through contractual means, and other illegal operations are still quite rampant. Local protectionism, market compartmentalization, and regional blockades have triggered a scramble for reckless development among enterprises. The "business craze" has also led to misreported registration funds and the misappropriation of funds by enterprises. Investment in enterprises is in a "bubble" state.

In building a market economy, the state needs to delegate operational and management powers that were overly centralized under the planned economic system. The chaotic process of economic development, however, has compelled the government to recentralize and decentralize power on several occasions, resulting in a bizarre cycle in which "centralization causes rigid regimentation and decentralization leads to chaos." Given the mushrooming enterprises in our country, people now worry about reentering this bizarre cycle.

The economy should develop in an orderly manner. An economist said: "Orderly decentralization leads to development, whereas disorderly decentralization leads to chaos." In a sense, the market economy operates according to a set of rules. Competition in such an economy should be methodical, orderly, and fair, resembling a sporting event where the rules and referees are indispensable. In a market economy, we need full-fledged market rules and sound economic supervisory mechanisms.

Some people have pointed out an important task in the current stage of economic development: Expediting the pace of improving laws and regulations, particularly that of establishing market-related trading order based upon

fair competition. First, we should prevent monopolistic practices and attempts to suppress competition. By opposing monopolization, we mean that except for a small number of sectors that are legally subject to state control, many major competitors on the market will be allowed to jointly engage in production and management along sectoral lines with the aim of encouraging fair competition. Second, we should stop the practice of seeking profits by illegal operational means, such as fraud and practices that are detrimental to public and national interests. Only by ridding the market of operational activities that violate state laws and decrees can we maintain order in the market economy and ensure that legitimate key competitors will engage in production and management as they compete in a fair and harmonious market environment. The activities to be banned from the market include false advertising, fraudulently buying and selling products under economic contracts, producing and selling fake and inferior commodities, profiteering, and smuggling.

The shift from "disorderliness" to "orderliness" in economic development represents the process of building a new economic order. Notwithstanding the current "business craze," it should be noted that the evolving market system, our gradual accumulation of managerial experience, and the improvement of laws, regulations, and market-driven supervisory mechanisms are conspiring to shape a favorable market environment in which fair competition is protected.

Article on Developing Individual Economy

OW2806105793 Urumqi XINJIANG RIBAO in Chinese
28 May 93 pp 1, 3

[XINJIANG RIBAO Commentator's Article: "An Important Step to Optimizing the Economic Structure—On Going All Out To Develop the Economic Sector of Self-Employed Industrial and Commercial Units and Privately Owned Enterprises"]

[Text] An autonomous regional party committee work conference listed "going all out to develop the economic sector of self-employed industrial and commercial units and privately owned enterprises" as one of the "six tasks" for the future. It is an important measure to optimizing the economic structure and accelerating economic development in our region.

According to statistics, as of the end of last year, the number of self-employed industrial and commercial units in our region reached 242,000, with 359,000 people engaged in trade, posting a growth rate of 57 and 70.6 times over those in 1979, respectively; and the number of registered privately owned enterprises reached 1,359. As their fixed assets and operating funds increased by a large margin, they became a force full of vitality in our region's economy.

However, a comparison with other areas shows that development of the economic sector of self-employed industrial and commercial units and privately owned

enterprises is very sluggish in our region. At present, the economic sector of self-employed industrial and commercial units and privately owned enterprises in developed areas in the hinterland enjoy rapid development and capture a considerable percentage of their economic performance, whereas our region's economic sector of self-employed industrial and commercial units and privately owned enterprises accounts for only 3.8 percent of the total social output value, and the sector's industrial output value accounts for only 1.8 percent of the total industrial output value for the whole region. The number of self-employed industrial and commercial units and privately owned enterprises represents only 1.6 percent and 0.9 percent of the nation's total number, respectively. Their cardinal number is small, the percentage low, and the ratio of absolute value even lower. These figures show that we lag far behind other areas and that we also have tremendous potential.

To go all out to develop the economic sector of self-employed industrial and commercial units and privately owned enterprises, we must, first of all, further emancipate our minds and change our concepts. Although the issue of whether the economic sector of self-employed industrial and commercial units and privately owned enterprises should be surnamed "zi" [capitalism] or "she" [socialism] seems to have been settled, actually fear still lingers deep in the hearts of some people. Some vague understandings need to be clarified. Developing the economic sector of self-employed industrial and commercial units and privately owned enterprises conforms to the principle of the "three conducive factors" [conducive to developing a socialist society's productive forces, enhancing a socialist country's comprehensive national power, and improving people's living standards], and is undoubtedly a part of the socialist economy. It is an important supplement to the publicly owned economy and, furthermore, a forerunner for the transition from a planned economy to a market economy. Its existence and development play an extremely great role in promoting the transformation of state enterprises' operating mechanisms and forming a competitive market mechanism.

Going all out to develop the economic sector of self-employed industrial and commercial units and privately owned enterprises under the precondition of upholding the dominant role of public ownership will adjust and optimize the structure of ownership as well as the industrial structure. The secondary and tertiary industries are underdeveloped and constitute a weak sector in our region. Self-employed industrial and commercial units and privately owned enterprises are primarily grouped in these two industries, particularly in the tertiary industry. Relevant data show that, last year, the number of self-employed businesses engaged in the tertiary industry accounted for 80 percent of the total number of self-employed businesses in our region, and the number of privately owned enterprises engaged in the tertiary industry accounted for 43.7 percent of the total number of privately owned enterprises. Self-employed industrial

and commercial units and privately owned enterprises keep expanding the scope of their business operations. The new trades of science and technology consultation, real estate, and brokering, in addition to industry, communications, transportation, construction, commerce, restaurants, repair, and service sectors are currently in these categories. They have become the new points from which our region's economy is growing. It is thus evident that when we vigorously develop the economic sector of self-employed industrial and commercial units and privately owned enterprises, we are developing an underdeveloped sector of the economy in our region, optimizing the economic structure, and establishing a socialist market economic system, and that such an endeavor is an important measure to beefing up our region's comprehensive economic muscle.

To go all-out to develop individual and private businesses, we must further liberalize our policies and create an environment that promotes extraordinary development. The main problems currently affecting the development of individual and private enterprises are the failure to relay policies, the imposition of heavy taxes, the serious problem of "three indiscriminate practices," monopolies by departments, and slow progress in developing markets. We should, therefore, truly liberalize our policies and ensure that government decrees are effectively relayed to relevant units. We should relax controls and restrictions, adopt flexible measures, and develop individual and private businesses as quickly as possible. We should allow individual and private enterprises to operate businesses and deal in commodities that are not specifically prohibited by official decrees. We should also allow them to engage in wholesale and retail business, long-haul transportation, and brokerage activities. We should encourage them to develop a variety of transregional and trans-sectoral operations. We should also allow them to jointly operate, buy into, contract, lease, merge with, or buy state-owned and collectively run small enterprises. We should permit them to establish mutual-assistance funds for the individual and private sectors of the economy. Furthermore, we should liberalize credit policies and make every effort to help solve funding problems for self-employed business operators and private enterprises. We should simplify exit procedures for self-employed business operators and private entrepreneurs so they can participate in various commercial activities abroad. We should levy taxes equitably and resolutely halt the erroneous practice of "indiscriminately collecting fees, imposing fines, and apportioning charges." We should proceed as quickly as possible to convert the industrial and commercial registration system based upon screening and approval for individual and private enterprises into a registration system, simplify procedures for handling relevant matters, and improve work efficiency.

Going all-out to develop the individual and private sectors is an important strategy for developing our regional economy. Governments at all levels should include this strategy in their general economic plans,

devise measures, improve management, and stress guidance through services. Different localities should have different development strategies and policies and should provide specific guidance in light of local conditions. Areas whose individual and private sectors have developed swiftly should further expand, upgrade, and improve these sectors. In dealing with remote farming and pastoral areas that are stricken by poverty, we may "lift controls before setting relevant criteria," "buy tickets after boarding the bus," and register individual and private businesses when conditions are ripe without issuing licenses or collecting fees. All localities may boldly set up individual and private economic pilot zones, formulate more preferential policies, and institute more flexible measures to stimulate the sound development of the individual and private sectors. While actively developing the individual and private sectors, we should strengthen the management of individual and private enterprises, improve ideological and political work among self-employed business operators and private entrepreneurs, and teach them to operate civilly and legally and to contribute toward developing Xinjiang's economy.

Article Views Managers' Competition Mechanism

HK2806051893 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 93 pp 35-37

[Article by Luo Jingfen (5012 4737 1164): "On Establishment of Competition Mechanism at the Managerial Level"—edited by Wang Wei (3769 1550)]

[Text] (Editor's Note) Comrade Zhu Rongji, deputy premier of the State Council, gave written instructions after reviewing this article: "This problem is very serious, but neglected. This text can be made public after revision." Before publication, the author made additional corrections and added supplemental material. [end editor's note]

The purpose behind transforming the enterprise operational mechanism is to help the managerial level of enterprises owned by the people as a whole to continue working conscientiously, do their utmost to maintain the safety of enterprise assets, and achieve constant growth under the conditions of market competition and independent operation, though shares in the properties under their management belong to the government, to corporate enterprises, and to civilians. This issue is being raised based on the drawbacks that commonly exist at present in many enterprises under ownership by the whole people. Many enterprises in China "eat from the same big pot" of the state, and do not care much about whether operations lead to an increase or decrease in state assets. At present, about 30 percent of the state-owned industrial enterprises within the budget are losing money, not including those suffering from latent losses. Therefore, the key to transforming the enterprise operational mechanism is to establish dedication and a sense of responsibility among the enterprise managerial sector (and first of all among general managers). It is therefore

necessary to introduce the mechanism of competition in employing managers by reforming the personnel and distribution systems. Managers should be selected and employed on a competitive bases, and be eliminated in the same way. Appointments by administrative departments in charge should be abolished, so that the destiny of the managers is linked with that of the enterprise so that they are bound by the same cause, and share honor and decline together. In large modern enterprises in capitalist countries, things are done this way, whether in private or state enterprises. In these enterprises, owners of the assets and those who operate them are separated. Unlike self-employed or petty proprietors, who manage assets that belong to them, enterprise managers manage the assets of others, yet they are still very conscientious, do their best to avoid failure, try to attain the greatest possible profit margins, and achieve success in business through competition. When the operation of an enterprise is successful, the newly increased assets go mainly to the owners of the assets. When the operation is a failure, the loss of assets is borne by asset owners. Yet the destiny of the managerial level is closely linked with the situation in an enterprise's operation and is restrained by asset owners. When enterprise operation is a success, the manager will be honored by the asset owner, not just with an increase in income, but also by a rising social status, and will become highly renowned. After the expiration of his term of employment, he may be employed at a high rate of pay by many asset owners and be appointed to a higher position. Even after leaving his post or being transferred to other places, he will continue to be taken special care of by the asset owners. After retirement, he can enjoy liberal remuneration and benefits, and receive a large pension. When the operation of an enterprise is a failure, the manager will lose his reputation, and will find it difficult to find an equivalent senior post among business circles. He can look only for jobs of a lower grade in less well-known enterprises, or even forfeit his occupation as an entrepreneur. Therefore, enterprise managerial staff attach great importance to market investigation; prudently select the direction of investment; improve management methods; rationally organize production and labor; actively bring into play the intelligence and wisdom of the whole staff, like crossing a river in the same boat; and try to attain greater profits with less investment, after paying interest charges, taxes, and the lowest income the investors expect. When new additional investment, such as capital, wages, and expenses cannot bring about a greater profit margin, or when managers are not very sure of winning profits in this respect even though they can raise sufficient investment funds by borrowing or merging of funds, they will not rashly make this kind of additional investment. In short, enterprise managerial staff pour a great deal of energy into increasing assets that do not belong to them. In China's enterprises under ownership by the whole people, it is also necessary to train a large number of this kind of professional entrepreneur and to initiate this kind of entrepreneurial spirit. These entrepreneurs do not put their immediate material interests first, but seek to realize their own social value, and strive

to attain the maximum profit margin for the enterprise in an environment of equal competition and independent operation. Only by so doing can the problem of low economic performance over a long period of time be overcome, and can we lay a practical and reliable foundation for shifting macroeconomic management from direct regulation and control to indirect regulation and control.

Recently, transforming the enterprise operational mechanism has become a hot point of social discussion. A common point of view is that the objective of transforming the enterprise operational mechanism is to enable enterprises owned by the people as a whole gradually to become commodity production and management organizations of independent operation, and to assume sole responsibility for their profits and losses, with emphasis on expanding enterprise decisionmaking power in operation. True, it is extremely important to expand the decisionmaking power of enterprises in the areas of personnel and labor, wages and bonuses, pricing, investments, import and export business, etc.. These are indispensable objective requirements and prerequisites for establishing the enterprise manager responsibility system and for realizing the transformation of the enterprise operational mechanism. If, however, we simply emphasize independent enterprise operation without stressing the establishment of the self-restraint mechanism, this not only will not achieve the transformation of the operational mechanism, but also will lead to the abuse of decisionmaking power and the loss of state assets. Thus, there are two propositions in society concerning establishing forces of restraint within enterprises: assuming sole responsibility for profits and losses, and reorganization of the shareholding system. It seems that further discussions are required to show whether these two methods are effective or not.

First, who will be responsible for assuming sole responsibility for profits and losses? People often say the enterprise assumes sole responsibility for its profits and losses. In fact, the enterprise as a whole can only audit profits and losses, and cannot bear the responsibility and risk of losses. Therefore in practical work there appears the phenomenon of being responsible for profits, but not for losses. Members of an enterprise are divided into three parts: staff and workers, managers, and owners. Which sort of members can bear the responsibility for profits and losses? When enterprise operation is a failure, enterprise staff and workers cannot compensate for the loss of capital. Even if an enterprise goes bankrupt and closes down, what they lose are just their original posts; moreover, to maintain social stability the government, through occupational recommendation and training, will make other enterprises recruit and arrange jobs for most of the unemployed workers. Enterprise managers are mainly responsible for management responsibility, and it is difficult for them to compensate for all losses; some enterprises managers compensate a little, but in limited amounts. For instance, some managers pay a small deposit or pledge goods (such as houses

and other immovable estates) when they make contracts. For other managers, incentive pay awarded them, but not distributed, when the enterprise was operating well in past years is used for compensation when the enterprise is losing money. This, however, accounts for a very small proportion in enterprise losses. It should be pointed out that responsibility for profits means possession of asset income, and responsibility for losses means offsetting operational losses with assets. Therefore, this so-called enterprise-assuming-sole-responsibility-for-profits-and-losses can only be the behavior of the owners. Even though an enterprise acquires the status of a legal person, independent of the investor, and assumes sole responsibility for its profits and losses on the basis of the assets of the legal person, in the final analysis it is still the owners who bear the responsibility, only they bear a limited liability, that is, they bear the risks within the range of assets of the enterprise's legal person. The case is the same whether an enterprise is in a competitive or noncompetitive industry. In capitalist countries, whether an enterprise is in a competitive or noncompetitive industry, profits are shared by the owners, who also bear the losses, and there are only some differences in the range of decisionmaking power and source of income. Enterprises in competitive industries enjoy full decisionmaking power and receive income by relying entirely on market competition. Enterprises in noncompetitive industries bear some social responsibilities and obligations, and the government restricts some of their decisionmaking powers. For example, the prices of their products and labor are not decided entirely by the supply and demand situation in the market, and price increases must be submitted to the government for approval; it is generally stipulated by the government that enterprises invest in projects of high social performance, yet the performance of these enterprises' projects is low (for instance laying railway line in remote areas and in areas where freight volume is inadequate); enterprises are not allowed to dismiss a large number of staff and workers; enterprises are not allowed to cut the pay of staff and workers greatly, and the loss thus incurred generally is not made up by the market, but is appropriately made up according to standard norm by government financial and asset-management departments within a specified time through consultation between the government and the enterprise. Therefore, whether an enterprise is competitive or noncompetitive, total assets (i.e. the amount of investment) put into an enterprise by the owners, are the limit of their responsibility for any losses incurred. Thus, assuming sole responsibility for profits and losses is necessary, and assuming sole responsibility for its profits and losses by an enterprise on the basis of the legal person assets may avoid the continuous increase in enterprise losses and lead to constant losses of state assets. If, however, the objective of transforming the enterprise operational mechanism is limited to assuming sole responsibility for profits and losses, and if the responsibility for the state assets entrusted by the government for operation and management is to be borne by the enterprise, it is difficult to get the desired results.

Second, correctly appraise the role of the shareholding system in transforming the enterprise operational mechanism. Transformation of the enterprise operational mechanism refers mainly to reforming the mechanism within enterprise, and not to reforming from outside the methods of managing enterprises under ownership by the people as a whole. At present, defining the relationship between ownership and management of enterprises, and carrying out the shareholding system are, in fact, improvements in the government's method of managing enterprises owned by the people as a whole and of readjusting the composition of capital in these enterprises. As a matter of fact, in China the owners of enterprises under ownership by the people as a whole are the state, and the ownership relations are very clear, without the slightest ambiguity. Since reform, and with the introduction of the combination policy, several enterprises and organizations have been reorganized into enterprise groups using public property and legal person property, and their properties were audited and clarified when they were combined. The ownership relations also were very clear, but which organizations and persons are to be responsible for performing the duty of the asset owners have not been specified. The shareholding system is an effective way for an enterprise to raise funds. It can directly transform the residents' cash income into production and construction funds, and speedily expand the operational scale of state assets. This should be fully affirmed. Some maintain that a state assets operation committee (or holding company) should be set up and an ownership representative for state assets should be appointed to perform the functions of asset owners. The committee would select the enterprise's general manager by inviting tenders, and the system of the general manager assuming full responsibility is carried out within enterprise. The general manager conducts supervision over the use of state assets by enterprise managers. Thus, the personification of public ownership assets perhaps may be conducive to the separation of the economic management functions of state power from the operational functions of the government as asset owners, and to the separation of the ownership of enterprise assets from operational power over enterprise assets by the managerial sector. Nevertheless, these are still changes in the method of enterprise external management, and not a transformation of the internal mechanism. At most, they create some external conditions for the transformation of the enterprise operational mechanism. Moreover, there is no practical guarantee whether or not the property rights representative assigned to the enterprise to be the director will be able to undertake the responsibility in real earnest. As for the results of the transformation of the shareholding system, they require reassessment too. True, theoretically speaking, once the performance of enterprises that are allowed to engage in share transactions on the exchange becomes bad, the shareholders sell their shares hectically, one after another, which results in a fallen market and damages the enterprise's reputation. This would help enterprises improve their operation, but first requires a normal stock market, more or less balanced in

supply and demand, and this kind of environment will not be available in China for quite a long time; second, such a "voting with the feet" by shareholders can be effective only when directors vote with a show of hands and with competition at the managerial level. Particularly in this kind of shareholding system, of the shares that are allowed to be sold openly to the public, only a small part is held privately. According to the present stipulations, the stockholding rate of private holders may reach up to 25 percent, but private shareholders are extremely scattered, and there are thousands of them. Stock transactions are brisk, and of great mobility, and shareholders are changing constantly. They are interested in making a profit in the stock market, and do not care much about the allocation of dividends, bonus share issues, or share distribution brought on by good enterprise operation. Many shareholders do not quite know the operational situation of the enterprises whose shares they hold, and some shareholders even rush to purchase shares in any enterprise once it is listed. Therefore, it is difficult to imagine that this kind of shareholding system can effectively restrain enterprise behavior, and realize transformation of the enterprise operational mechanism. Under the traditional system, some enterprise managerial sectors are not very careful in managing state assets. "Changing appropriations into loans" does not mean that enterprises are no longer eating "from the same big pot" in terms of using bank loans that require repayment. In addition, quite a number of enterprises are unconcerned about being incapable of repayment and about being placed under bank supervision. Therefore, if the appointment and distribution systems of the enterprise managerial sector are not thoroughly reformed, it is difficult to imagine that the enterprise managerial sector will depart from its usual behavior and be very careful about managing the funds gained from the issue of shares—funds it does not have to pay back.

Thus it can be seen that to transform the enterprise operational mechanism, it is extremely important to push enterprise managerial staff to do their utmost to protect and increase the value of the assets under their management, to build up the mechanism of elimination through competition for managerial staff, to respect and protect their interest in policy guidance and public opinion, and to award them according to the increase in assets. Moreover, it is also extremely important not to shield those who fail in operation, and that administrative departments in charge should not let them act as "officials" after being transferred to new places. The objective of China's economic reform is to develop the socialist market economy. In various kinds of productive factors markets, the entrepreneurs market is especially important. Without a sound entrepreneurs market, the behavior of the markets in other productive factors will be twisted, and could even have negative effects.

Article on Management of State-Owned Property

HK2506141493 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 93 pp 3-5, 17

[Article by Jiang Yiwei (5592 0001 5517): "More on the Value Management of State-Owned Property"—edited by Zeng Ming (2582 0682); first paragraph is editor's note]

[Text] Editor's note: The article "On the Value Management of State-owned Property" written by Jiang Yiwei (5592 0001 5517) and Tang Fengyi (0781 0023 5030) was published in JINGJI YANJIU No. 2 of 1991. This article is from a manuscript by Comrade Jiang Yiwei which was not published before his death. It is now being published by JINGJI YANJIU in deep remembrance of him.

China's economic structural reform is, in essence, to build a new way to realize public ownership and the key to the reform is to reestablish the relations between the state and enterprises. Under the circumstances of the socialist market economy, the state may have a double capacity for dealing with enterprises. On the one hand, it is a general administrator realizing redistribution through taxes; on the other, it is an owner, enjoying the power of control and the ownership of the profits. The former capacity is the same for all enterprises, but the latter is peculiar only to state-owned enterprises. Readjusting this kind of relationship is where the difficulties in reform lie. Whether or not a breakthrough can be made, and whether or not it can be successful in this respect, has an important bearing on the success or failure of reform as a whole. We have put forward tentative ideas on the value management of state-owned property and this article intends to further discuss the relevant issues.

I. Capital and Property

Influenced by ultra-left ideas over a long period of time, we have always evaded the concept of "capital." It seems that whenever we talk about capital we talk about capitalism, and this is, in fact, a very big misunderstanding. There is a difference between capital in a broad sense and capital in a narrow sense. The "industrial capital" referred to by Karl Marx in *Capital* is capital in a broad sense. Concerning capital in a narrow sense, one can understand it from both the angles of the productive forces and the production relations. Viewed from the angle of the productive forces, capital means the guaranteeing funds with which the enterprise undertakes risks and the criterion for measuring its capacity to undertake risks. To a certain extent, capital also shows its scale. Moreover, as capital uses the quantity of money as a calculating unit, it can serve as a unified dimension for measuring the proportion of power, responsibility, and profit of many investors. Therefore, it exists in different societies and is a neutral concept. This is also the general feature of capital. Viewed from the angle of the production relations, in the capitalist society, capital is privately owned and individuals enjoy the power of control and the ownership of the profits. Therefore, it reflects the capitalist production relations. In socialist society, capital is owned by the state and other public principals who enjoy the power of control and the ownership of the profits. Therefore, it reflects socialist production relations. Thus, in the production relations, capital has its class nature and this is a particularity of capital. Therefore, it is absolutely unnecessary for us to be afraid of using the concept of capital just because

there is such a thing in capitalist society and we can feel totally relieved and boldly use it like profits and allow it to render us service. So-called value is, in the first place, the separation of capital.

In the past, as an alternative, we used the concept of "funds." As a matter of fact, in the two Chinese characters "zijin" (meaning funds), there is still the character of "zi" (meaning capital). It ends up with: The sources of funds for state-run enterprises all come from the state and in accounting it is expressed as: Fixed assets are equal to fixed funds, and floating assets plus special assets are equal to floating funds plus special funds. Therefore, this kind of financial system uses property as the core, and the source of funds attaches itself to the use of funds, that is, property. In other words, the constitution of the use of funds, i.e., property, is of major importance, and the constitution of the source of funds is not. In any case, it belongs to the state.

II. Property Ownership and Capital Ownership

As enterprises have no operational risks under the planned economy, its financial characteristic is that the source of funds is not divided into capital and liabilities. Both the source of funds and the use of capital belong to the state, which is at the same time the owner of the source of funds and the user of capital, i.e., property, and the quantity of the two it owns is the same. Conversely, under a market economy the premise for the existence of enterprises is that there are operational risks and, therefore, the source of funds should be divided into capital and liabilities and the use of funds constitutes total property. Thus, capital and property differ in nature, property being related to the material objects and capital to the investors.

Whether or not property and capital are of the same principal is an important criterion in distinguishing different types of enterprises. In private enterprises, the bosses are both the investors and the direct managers and administrators and are the owners of property. Therefore, the characteristic of ownership in primitive capital enterprises is that property ownership and capital ownership are combined into one. In state-run enterprises under the system of planned economy, the state replaces individuals as the owner of property but it is, at the same time, the owner of the source of funds. It can be seen that state-run enterprises and private enterprises are different and opposed to each other in their nature of ownership but are similar in the form of ownership.

The ownership of property is the ownership of things and can only be one thing, one owner; the ownership of capital is the ownership of the enterprise and one enterprise can have many owners. In modern enterprises represented by joint stock companies, the enterprise legal persons become the owners of the property. As independent debtors, they are accountable for operational debts incurred by total property. The shareholders, i.e., the investors, are merely the owners of the capital and do not directly own property. They only have

limited liability for the operational debts of the enterprise. Therefore, the characteristics of ownership of modern enterprises is that property ownership is separated from capital ownership and the property materials rights enjoyed by enterprise legal persons are separated from the rights of investment of the investors (the rights of the shareholders in the case of joint stock companies). Even in state-owned enterprises in modern capitalist countries, the state is not the direct owner of property. It controls the enterprise as a large stock holder, and this is the major form of value management.

As total property equals capital plus liabilities, capital is smaller than property in quantity. The ratio of self-possessed capital can be as high as 60 to 70 percent and as low as only 10 to 20 percent. Supposing the state invests several hundred thousand yuan in a certain state-owned enterprise, which can control 1 million yuan in property, and that enterprise can also make re-investments, and then a series of enterprise can become capital multipliers. The amount of state-owned property is not invariable and it realizes increments by multiple-grade amplification. Therefore, the direction of reform for China's state-run enterprises is to change the state from being the property owner into the owner of capital, turn state-run enterprises into state-owned enterprises, and turn unlimited liability enterprises into limited liability enterprises.

III. The Property Market and the Capital Market

In the past, our understanding of building up the commodity economy and the market economy was derived step by step; that is, first the commodity market and then the market for the means of production, the labor market, the technology market, and finally the funds market. Such a sequence was wrong and the reason lay in the fact that funds were not separated from property and capital. Moreover, it did not make clear the respective ownership between the enterprises and the state. In other words, that the nonmeans of production physical products became commodities was merely the most outward form of the commodity economy and the market economy. In essence the property market (the market of the means of production) and the capital market should exist.

First of all, the property market. Under the traditional economic system enterprises were not allowed to let or sell the property they used. After reform, it was permitted in principle but limited only to some kinds of equipment. The result is that property cannot flow flexibly, and this is unfavorable to the speedy readjustment of the industrial structure. The roots lie in the fact that enterprises themselves are not the property owners and that the state, as the owner of all property, can allocate and transfer property from one enterprise to another without going through the property market, meaning that there is no signal of property prices. In fact, according to Marxist expositions on enterprise property circulation, property is in constant circulation in the form of money, the form of the means of production, and

the form of commodity. If enterprises are not the owners of the means of production, how can they be the owners of commodities? Therefore, under the system of planned economy where there is no property market, it is impossible for enterprises to become independent commodity producers and operators. That enterprises enjoy independent property rights and become the principal parts of the property market is the premise for enterprises to become commodity producers and operators. The existence of the property market is the prerequisite for the existence of the commodity market.

Under the circumstances of the market economy, enterprises become the property owners. On the one hand, they can take the products they produce to the commodity market for exchange; on the other hand, in the capacity of the owners, they can also take the equipment, raw and processed materials, and other means of production to the property market for exchange. At present, state-run enterprises cannot take them to the market for buying and selling and they are not even allowed to raise a mortgage on them. How then can enterprises actively manage and use these properties well?

Second, the essence of the commodity economy or the market economy is the existence of the capital market or the stock market. Generally speaking, if a joint stock company is run properly and yields high benefits, its stock price will go up. The investors not only judge whether or not an enterprise is properly run from its production and operation aspects, they can judge its good or bad performance from the capital market; that is, from the rise and fall of its stock price. Of course, we do not deny that there are also the supply and demand relations and all other factors affecting its stock price. However, fundamentally speaking, if an enterprise is not run properly and has been losing money for several years, its stock price will not go up and, conversely, it will fall to below its face value. It will be remembered that the state put a large amount of funds into a sheet metal plant in Beijing, but the property lay idle for a long period of time without any production and nobody bothered to question it. The reason is that, on the one hand, the enterprise is not an independent legal person, there is no means of production market, and the enterprise cannot find ways of exchange; on the other hand, more importantly, there is no signal from the capital market and neither is there a capital market. The state receives no pressure to allocate funds out of the enterprise and transfer them to other places. Without the capital market, there is no value management.

It can be seen that there was a big error in our understanding of the so-called funds market in the past. It seems that it was just to increase the means for the enterprise to obtain funds and that who was its principal part was not made clear. In fact, it should be made clear that the property market exists; that is, the market for the means of production and the capital market, and that the enterprise is the principal part of the former, while the state is the principal part of the latter. Of course, as the enterprise legal person can also buy and sell shares it is

also the principal part of the latter. In short, if we really want to build up a genuine market economy, we must build up the property market and the capital market, especially the latter. Whether or not there is a capital market is the touchstone for distinguishing a true market economy from a false one.

IV. Property Operation Enterprises and Capital Operation Enterprises

An enterprise's properties can include not only the equipment, materials, and other physical properties, but also properties in the form of stocks, bonds, and other securities for investment abroad. Thus, based on the amounts of investment abroad in the enterprise capital and property, enterprises can be divided into two categories. One is the property operation type enterprise, whose investments abroad are smaller than the amount of capital; the other is the capital operation type enterprise, whose investments abroad are equal to or larger than the amount of capital. The former is production and operation type enterprises in general, and the latter is investment companies and other investment enterprises.

The reason why enterprises are divided into the above two categories is that, first of all, the shareholders must have a certain economic scale and information processing capacity and individuals in the general and ordinary management departments of the state are not competent for the job. Second, as investment projects can be long- and short-term, and especially some infrastructure projects must take a very long period of time from construction to operation, it is impossible for many enterprises to invest their funds in long-term projects; the importance of infrastructure cannot be underestimated either. Thus, some infrastructure projects are owned by investment companies during the construction period and, once completed and put into production, the shares can be resold to production and management companies.

Viewed from from the source of long-term investment, long-term insurance funds and government financial investments are quite appropriate. Therefore, state-run enterprises, in which the property is directly owned by the state, should be divided into two kinds of new enterprises. Besides the state and property operation enterprises in general, there should also be capital operation enterprises, to build up the investment and control relations: The state—capital operation type enterprises (i.e., investment companies) and property operation type enterprises in general. The investment companies can be limited companies and can also be joint stock companies, under management by the director sent by the state department in charge or by the state-owned property management department. The investment companies further make investments in ordinary enterprises and send out directors to manage. Thus, the state will have a check-up target for investment companies and investment companies will also have check-up targets for their holding enterprises, thereby providing an organizational

guarantee for maintaining and increasing the value of state-owned property. This is also the basic organizational form for value management of state-owned property.

Article Urges Support for Railroad Construction

*HK2906104093 Beijing RENMIN RIBAO in Chinese
13 Jun 93 p 1*

[Commentator's Article: "All Society Should Show Concern for and Support Railroad Construction"]

[Text] The construction of the Beijing-Jiujiang, Baoji-Zhongwei, Houma-Yueshan, and Nanning-Kunming railroads and of the Wuwei-Urumqi and Hangzhou-Zhuzhou dual tracks, which are all covered in the state's Eighth Five-Year Plan, is proceeding smoothly. A railroad building army half-a-million strong are working hard day and night, setting one record after another in China's history of railroad building.

An important reason for the greater pace in railroad construction this year is that railroad construction enjoyed great support from the governments and the masses along the lines. Leading groups and offices for supporting railroad construction were set up in all prefectures and counties (cities) which the railroads will run through to mobilize the masses to help overcome difficulties in construction. Many localities expressed willingness to render full support for railroad construction the way they did for the Army at the front in war years so as to provide the best cooperation and services needed and create a relaxed external environment. Many localities introduced flexible measures in taking over land for use and in relocating the residents involved including granting permission and taking over land in advance, making use of land before going through necessary procedures, and relocating residents involved before giving them compensation. They also provided building materials and means of livelihood needed by railroad builders on favorable terms and made things easy for them. When there were hard nuts to crack, the local governments would help the department responsible for railroad construction successfully solve the problems through consultations.

In his article "Current Economic Work" published not long ago, General Secretary Jiang Zemin pointed out: "Every leading comrade must have the whole situation in mind and consciously regard the work in his area and department as a component part of the overall work." At present, insufficient transport capacity—especially insufficient railroad transport capacity—has become the "bottleneck" restraining our economic development. Therefore, railroad construction, as well as agricultural development, is made the "most important work" for our economic development. As early as the second half of last year the party Central Committee and State Council decided to concentrate financial, material, and human resources on railroad construction in the last three years of the Eighth Five-Year Plan, trying to build

6,600 km of new rail line, 4,100 km of dual track, and 5,600 km of electric railroad by late 1995. Upon completion, the present tight railroad transportation situation will be considerably eased. Central departments, as well as local governments, must arrive at a profound understanding of such a strategic policy decision vital to China's long-term economic development and must work in the overall interest.

We are also aware that there exists a muddled idea on railroad construction, which is detrimental to our overall interest. Some comrades refused to help solve problems arising from railroad construction because they held that the railroad would belong to the state when completed, not like construction projects in their own areas, which are their own property. In fact, this displayed their shortsightedness. For an area, railroad construction will entail profound and favorable changes. It will help introduce new ideas, information, and technologies, thus promoting local technological progress and changing the backward state of being sealed off; it will improve the investment environment thus laying a sound foundation for opening up and introducing foreign funds; and it will also help expedite the circulation of commodities and make the market prosperous. In short, railroad construction is in the major interest of the country and of localities concerned. It stands to reason that leading comrades in some localities look upon the "state rail lines" under construction as "activation lines" [qi dong xian 0796 0520 4848] and "promise lines" [xi wang xian 1585 2598 4848], which are to help them shake off poverty and develop the economy.

As railroad construction needs a huge amount of funds and represents a huge project including boring tunnels through hills, building bridges spanning rivers, and many other tasks, the cadres responsible for railroad construction have a heavy responsibility on their shoulders. In the meantime, railroad construction is a common task for the leadership and the rank and file in the party and in the country. It is in this sense that we

appreciate the slogan "let us support railroad construction the way we did the Army at the front in war years."

Report on Food for Export Production in Northeast

OW2906105093 Beijing XINHUA in English 0913
GMT 29 Jun 93

[Text] Shenyang, June 29 (XINHUA)—Export-oriented agricultural production has developed fast in recent years in northeast China, the largest commodity grain base in the country.

According to incomplete statistics, Liaoning, Jilin and Heilongjiang Provinces in the area brought in several billion U.S. dollars by exporting their agricultural and sideline products last year.

With a total farm acreage of 200 million mu (about 13 million hectares), northeast China leads in the production of beans and sorghum.

As the market economy was implemented in the rural areas and this part of the country opened to neighboring countries, an opportunity occurred for the peasants in the three provinces to make money in the world market.

At present, the three provinces obtain 20 to 50 percent of their foreign currencies by exporting their agricultural products.

Among the three provinces, Heilongjiang Province mainly exports beans and sorghum, Jilin exports corn while Liaoning exports aquatic products.

While developing traditional products, the provinces also managed to cultivate non-native vegetables and export the products.

The region's export-oriented agriculture has promoted the readjustment of the production structure in the rural areas. A lot of foreign trade bases combining agriculture, industry and trade have taken shape in the area.

East Region**Reportage on Shandong Secretary's Activities****Instructs Party Class**

SK2906095093 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 28 Jun 93

[Text] Prior to the first of July, Jiang Chunyun, secretary of the provincial party committee, who was conducting investigation and study in the rural areas, plants, and organizations in Yantai city, gave a vivid and profound party class to more than 1,200 party-member cadres in Yantai city. He stressed: Under the new situation, communist party members should more consciously uphold the party's purpose.

Jiang Chunyun pointed out: Presently, our party is in a new stage of leading the masses of people to carry out reform and opening up and to develop the socialist market economy. Under the new situation, it is of great and profound significance in further stressing the importance of upholding the party's purpose, strengthening education on the party's purpose among party members, and maintaining the flesh-blood ties between the party and the masses of people.

Jiang Chunyun said: The course taken by our party during the past 72 years has proved that upholding the party's purpose is the fundamental symbol and basic demand of maintaining the party's advanced nature. Forgetting the party's purpose will result in the serious consequence of deviating from the party's nature. He said: Developing the socialist market economy and building socialism with Chinese characteristics are the general tasks and general objectives of our party during the present period. It is impossible to realize these general tasks and objectives without giving full play to the vanguard and exemplary role of all communist party members and without the active participation and support of the broad masses of people. Being a communist party member, one should never forget the party spirit and principle as well as the party's purpose while participating in developing the market-oriented economic activities and managing things in line with the principle of commodity exchange. In handling the relationship between one's own interests and those of the party, one must not lower his status as an ordinary commodity manager, and must not seek his personal interests absolutely in line with the principle of exchange of equal values, or even bargain with the party. Instead, he must subordinate his personal interests to those of the party. One must not be vague and wavering in this regard. The socialist market economy has followed the principle of competition, and has set forth new demands on the ideology and work style of the broad masses of party members. The concept of collectivism and the spirit of selfless devotion must not be discarded; the idea of being the master of one's own affairs and the spirit of selfless dedication must not be discarded; the broad objectives of socialism and communism must not be discarded; the

principles of giving consideration to the overall situation and of subordinating oneself to one's organization must not be discarded; and the fine traditions of being strict with oneself and being clean and honest must not be discarded.

Jiang Chunyun said: Judging from the present situation of the ranks of party members, the main trend of our party organizations at all levels and the ranks of party members is good. Most of the party members are capable of consciously upholding the party's purpose and giving better play to their vanguard and exemplary role. Over the past years, a great batch of good party members and cadres with moving deeds have emerged in our province. However, we must also clear-mindedly recognize that under the new situation, a small number of party members have really become indifferent to the purpose of serving the people wholeheartedly. They have paid more attention to personal gains and less attention to dedication; and have given more consideration to themselves and less attention to the masses. Although these phenomena have manifested only in a small number of people, their influences are rapid. The masses showed strong reactions. Their reactions have told us that under the new situation, strengthening education on the party's purpose and leading the party-member cadres to firmly cultivate the idea of serving the people wholeheartedly is an extremely important and pressing task in the course of party building.

Jiang Chunyun noted: To uphold the party's purpose under the conditions of reform and opening up and developing the socialist market economy, the most important is to actively develop the productive forces, push the economy forward, fundamentally eliminate poverty, reach common prosperity, and satisfy the people's growing material and cultural needs. This is the concentrated expression of upholding the party's purpose under the new period.

Jiang Chunyun said: All of our communist party members, regardless of their positions, professions, and posts, should foster the idea of taking economic construction as the central task, do their own work diligently and well, and make due contributions to developing the productive forces. During the current reform, opening up and economic construction, the most important things the communist party members should do in upholding the party's purpose are to actively, comprehensively and accurately understand and implement Comrade Deng Xiaoping's important speech and the guidelines of the 14th party congress, unswervingly implement the party's basic line, and push economic construction forward. In specific work, we must persist in emancipating the mind and seeking truth from facts, be good at combining the party's line, principles and policies with the reality of our own localities, departments and units, and carry out our work creatively. It is necessary to uphold the mass line and guarantee that the policy decisions and their implementation are in compliance with the interests of the masses of people. We must promote the spirit of working with a will to make the country strong and engaging in

arduous struggle and hand on this party heritage from generation to generation. We must consciously keep ourselves clean and honest, resolutely resist and oppose corruption, and never shake our will even in straitened and humble circumstances or become loose and idle when we are rich.

Jiang Chunyun stressed: If the broad masses of party-member cadres want to foster a correct outlook on life, they must study Marxism-Leninism-Mao Zedong Thought; Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics; and through this study, correctly understand the objective law governing the development of human society, strengthen the socialist and communist ideals and conviction, unceasingly improve their quality and their ability to solve practical problems, pioneer the road of advance, and win a greater victory in building socialism with Chinese characteristics.

Inspects Yantai Enterprises

SK3006082793 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 29 Jun 93

[Text] On 25-29 June, Jiang Chunyun, secretary of the provincial party committee, and Han Xikai, member of the Standing Committee of the provincial party committee and secretary general, accompanied by (Gu Shicheng), secretary of the Yantai city party committee, conducted investigation and study in the city.

Secretary Jiang successively inspected Laizhou city academy of agricultural sciences, (Hunxiang) electric products group company, Bohai salt plant, Shili stone materials corridor, (Lijia) and (Qianseng) Villages in Longkou city, (Xinghua) Group, (Chongling) Group, and Yantai (Fusida) Enterprise Company, limited.

Jiang Chunyun fully affirmed Yantai city's work. He said: Over the past few years, Yantai has taken the lead in many aspects in the province. The provincial party committee and the provincial government are satisfied with Yantai's work. Jiang Chunyun hoped that Yantai would continue to deeply implement Comrade Deng Xiaoping's important speech and the guidelines of the 14th party congress and a series of central directives, conscientiously sum up and examine its work in line with Yantai's reality and in accordance with Comrade Deng Xiaoping's demand of looking back, promote achievements, sum up experiences, overcome deficiencies, advance in the crest of victory, and win new and greater success. He put forward six wishes and demands:

1. Yantai has favorable geographic conditions, rich material resources, a fairly strong material and technological foundation and good cadres. It should fully recognize its position, role, and status, bring superiority into play, actively keep forging ahead, and be in the first grade and in the lead of the province in reform, opening up, and economic construction.

2. Yantai's economy includes the development of industry, agriculture, tertiary industry, and export-oriented economy, each of which has its own specific plans and ideas. In the next step, Yantai should make earnest efforts to do practical work, implement the plans and ideas, seek actual results, do a good job in implementation, and strive to enter a new stage in every few years.

3. It is necessary to realistically readjust the economic structure and comprehensively promote technological progress. In readjusting agricultural structure, Yantai should follow the path of industrializing agriculture and turning it into a business producing commodities, and turn traditional agriculture into market-oriented agriculture as quickly as possible. The industrial product mix, the enterprise structure, and the technological structure should be readjusted and optimized in line with the market demands. At the same time, it is necessary to actively develop tertiary industry.

4. Efforts should be made to deepen rural reform, enterprise reform, organizational reform and other supporting reforms in close connection with the general objective of building the socialist market economic system. It is necessary to do a good job in using domestic and foreign resources, developing domestic and foreign markets, and putting both ends of the production process, including the supply of raw materials and the marketing of products, on the world market, and enable more products to enter the international market.

5. It is necessary to persist in taking a two-handed approach and be tough with both, and actively strengthen the building of the party, a clean government, democracy and the legal system, and spiritual civilization.

6. In work guidance, it is necessary to continue to emancipate the mind, seek truth from facts, change work style, and do a good job in implementing policies. Emancipation of the mind is not a solution that holds good for all time. It must be attended to with continued efforts along with the development of situation. It is necessary to go deeply to the reality to conduct investigation and study, and study the new situation and solve new problems.

Central-South Region

Rainstorms, Floods Kill 61 in Guangxi
HK2906151093 Nanning Guangxi People's Radio Network in Mandarin 1130 GMT 29 Jun 93

[Excerpts] Heavy rains and rainstorms and extraordinarily heavy local rains in prefectures such as Liuzhou, Guilin, Wuzhou, Yulin, Hechi, and Qinzhou; and in Liuzhou, Guilin, and Wuzhou cities since June caused mountain floods and deluges from rivers and lakes. Landslides occurred in some areas. According to incomplete statistics, 39 counties and cities, 273 townships and

towns, 1,375 village administrative offices, 326,200 households, and 1.631 million people were hit by the disaster.

The natural disaster killed 61 people and injured 94; 28,200 people were cut off by floods; 33,658 houses were either flooded or damaged, of which 6,345 collapsed; close to 200 enterprises were flooded and forced to halt production; and 129.2 million mu of farmland was flooded. [passage omitted]

After the disaster struck, local party and government leaders immediately assembled men from the departments concerned and rushed them to the disaster-stricken areas to launch anti-flood and rescue operations; provide victims with food, clothes, and other daily necessities; and help areas affected to restore production and rebuild their homes.

The autonomous regional leadership, much concerned about the disaster and the rescue operations, sent a task group promptly to the disaster-stricken areas to gain an understanding of the situation and to console the victims.

Guangxi Price Rises 'Third Highest' in Country

HK2806144793 Beijing ZHONGGUO XINWEN SHE
in English 1112 GMT 28 Jun 93

[Text] Nanning, June 28 (CNS)—Last May saw a price rise of 17.8 percent in the Guangxi Zhuang Autonomous Region, a record high since 1988, according to the Bureau of Prices and the Bureau of Statistics. Prices in the region grew at an average 15 percent for the four months prior to this month, 5.4 percentage points up over the annual average nationwide, putting the region third in terms of price rises across the country.

Price reform and wider coverage of market regulation have, according to experts, fuelled the price rise. Good market sales have contributed to an increase in prices by enterprises for better economic results.

A change in relations between supply and demand as well as rising costs for products have also played a leading role in price gains. Industrial production in Guangxi proceeded at a growing rate of more than 20 percent in the first four months of this year. Gross investment made by publicly-owned entities rose by more than 100 percent over last year while the growth in collective consumption was 38.4 percent. A gain in income by urban residents in the region was 17.9 percent and for peasants 3.5 percent. All these factors helped to a great extent to increase the demand for commodities.

Raw and processed materials, fuel and other energy purchased by industry in the region posted a 39.6 percent gain this year compared with last year while the actual interest rate for loans offered by professional banks rose from 8.1 percent to as much as 25 percent. The increased cost of products was transferred to prices of commodities which resulted in the soaring of prices.

In the belief that China would get back its GATT status, Chinese people have in recent years generally deferred purchasing large item commodities, expecting a drop in prices and this has tended to hold back purchasing power. They finally became disillusioned because of the skyrocketing of prices since the beginning of this year. Buying for the sake of preserving value has become very popular.

The rise in prices which has proceeded so rapidly has put pressures on the regional economy and people's lives and it is clear that a curb must be put on any further rise.

Hunan Governor Urges Industrial Production Rise

HK2906140093 Changsha Hunan People's Radio Network in Mandarin 2300 GMT 25 Jun 93

[Text] At a provincial meeting for directors of economic commissions at the prefectural and city levels which concluded yesterday [25 June], Governor Chen Bangzhu stressed that people of the entire province, leaders and masses alike, should seek unity in thinking, raise their vigor, reinforce leadership, and successfully organize industrial production in July.

Despite difficulties it encountered in the first half of this year, Hunan still managed to maintain a sound development momentum in its industrial production and drastic increases were registered in major economic efficiency indexes. From January to May the total output value of enterprises at the township level and above across the province exceeded 34.9 billion yuan, while total profits and taxes of industrial enterprises in state budget amounted to 1.8 billion yuan, up by 11.6 and 72 percent respectively over the same period last year.

However, there still exist many serious problems at the present stage and we are faced with quite arduous tasks in the latter half of the year. Major problems such as [words indistinct] of production and big losses incurred by enterprises have added to the weight of our tasks to make up deficits and increase surpluses in the latter half of the year.

In view of such a situation, Governor Chen Bangzhu called on the people of the entire province to seek unity in thinking, inspire their vigor, and never flinch from difficulty or adopt a wait-and-see attitude. He urged the directors of economic commissions present at the meeting, as well as the principal leading members of all party organizations and government bodies at all levels, to attach great importance to industrial production. He also indicated that industrial bureaus and departments in all localities should send people to enterprises which are plagued with difficulties in production, help them tide over difficulties, and ensure a higher output value in July than, at least, that of last May.

Vice Governor Zhou Bohua also attended and spoke at the meeting.

North Region

Hebei Court President Issues Work Report

SK2906102393 Shijiazhuang HEBEI RIBAO in Chinese 28 May 93 p 2

[Work report of the Hebei Provincial Higher People's Court made by Li Yongjin, president of the provincial Higher People's Court, at the First Session of the Eighth Hebei Provincial People's Congress on 14 May 1993]

[Excerpts] Fellow deputies:

I would like to report on the major work conducted during the past five years by the people's courts.

1. Since the First Session of the Seventh Hebei Provincial People's Congress, people's courts at various levels across the province have conscientiously implemented the basic line of the party, persistently making economic construction a key link, and comprehensively strengthening judicial work in line with the functions and rights entrusted by the Constitution, the law, and the resolutions adopted by the previous sessions of the seventh provincial People's Congress. From 1988 to 1992, courts across the province accepted and heard 676,081 cases of first instance, an increase of 60.74 percent over the figure for the previous five-year period; and heard and concluded 667,895 cases, an increase of 61.46 percent over the previous five-year period. About 98.79 percent of the cases were concluded. The people's courts at various levels heard and concluded 53,123 cases of second instance, tried 19,152 cases submitted by the supervisory organs, received 479,183 visitors, handled 262,152 letters from the masses, and improved its execution of various judicial tasks.

A. Trial of Criminal Cases

The people's courts at various levels across the province conscientiously exercised their dictatorship functions and ceaselessly strengthened the trial of criminal cases. The criminal cases of first instance accepted and heard by the people's courts at various levels in the past five years rose by 5.49 percent; and the number of criminal cases heard and concluded in the past five years rose by 5.35 percent. Some 34.78 percent of the criminal offenders were sentenced to more than five years of imprisonment, life imprisonment, or death (including stay of execution); and 62.55 percent of the criminal offenders were sentenced to less than five years of imprisonment, taken into custody, or put under surveillance. [passage omitted]

When we were waging strict blows to serious criminal activities, we positively waged the struggle against serious economic criminals. People's courts at various levels strictly punished such serious economic criminal activities as corruption, bribery, speculation, swindling, tax evasion, smuggling, counterfeiting banknotes and fake, poor-quality products according to laws. In the past five years, the people's courts at various levels tried and

concluded 12,090 economic criminal cases, punished 14,781 criminal offenders, and retrieved 81.66 million yuan worth of economic losses for the state and the collectives through trials. [passage omitted]

B. Trial of Economic Cases

Along with the deep development of reform, opening up, and economic construction, the number of economic disputes of various kinds increased by a big margin. In the past five years, 138,715 economic dispute cases of first instance were tried and concluded, and more than 4.9 billion yuan were involved in these cases, respectively showing increases of 141.96 percent and 467.19 percent.

First, according to laws, the courts at various levels timely and appropriately handled enterprises' disputes over purchasing and marketing, labor service, contracts to do processing, transfer of technologies, and management on a leasing basis; and helped enterprises clear up "debt chains." In the past five years, 81,707 such cases were tried and concluded. Second, the courts properly handled various kinds of disputes over contracts in the rural areas, particularly disputes over increasing contradictions; paid attention to doing the work relating to litigants; and timely and prudently handled the disputes according to laws. In the past five years, 5,791 cases of disputes over contracts in rural areas were handled. Third, facing the situation that the turnover of capital was affected due to the financial departments' difficulties in withdrawing larger amounts of overdue loans, the courts positively applied legal means to try and handle cases related to the disputes over contracted loans so as to suit the demands of state financial policies. In the past five years, 51,217 cases of these kinds were handled, and 1.97 billion yuan were involved in these cases. People's courts at various levels made ceaseless efforts to widen service channels and extensively launched legal service. In the past five years, 44,958 cadres were dispatched to enterprises to give lectures on laws, 14,480 training classes on general knowledge of laws were organized, more than 280,000 people were trained, 25,508 enterprises' economic contracts were perfected, and 18,498 suggestions on judicial work were made. [passage omitted]

C. Trial of Civil Cases

The people's courts at various levels conscientiously implemented the "general principles of the civil code," "the law on civil procedures," and some other laws and rules governing civil affairs. In the past five years, the people's courts tried and concluded 443,986 civil cases of first instance, accounting for 66.48 percent of the total cases concluded by the courts and showing an increase of 58.17 percent over the figure in the previous five years. [passage omitted]

D. Trial of Administrative Cases

In the past five years, the courts at various levels across the province have turned the administrative trial work

from the starting stage to the orbit of normal development. From 1988 to 1992, the province tried and concluded 5,503 administrative cases of various categories. Of this, 3,174 were land administrative cases; 1,355 were security administrative cases, and 974 were administrative cases relating to industrial and commercial and public health units. [passage omitted]

E. Accusation, Trial, and Supervisory Work

In the past five years, the people's courts at various levels ceaselessly strengthened the accusation, trial, and supervisory work; concentrated energy on eliminating the difficulties in bringing lawsuits against others; and ensured the quality of handling cases. First, firmly attend to the accusation work. In the past five years, the courts handled 312,563 cases of accusation. Second, try and handle cases of second instance according to laws, and strengthen the supervision over the trial work of the courts at lower levels. In the past five years, the people's courts across the province tried and concluded 53,123 cases of second instance. Third, handle, according to laws, the cases of lawsuits brought by the people. In line with the principle of seeking truth from facts and correcting mistakes, the courts conscientiously investigated, prudently handled, and conscientiously attended to the work of withdrawing the lawsuits that had been brought by the people. In the past five years, the courts handled 19,152 trial and supervisory cases of various categories. [passage omitted]

F. Enforcement of Laws

In the past five years, the courts at various levels strengthened the leadership over the enforcement of laws, set up and perfected the law enforcement organs, readjusted and strengthened the law enforcement forces, and also adopted a series of measures as follows: First, enhance the initiative in enforcement of laws and pay attention to coordinating the trial work with the enforcement of laws. Second, strengthen the cooperation with relevant departments and gain the supports of party committees, People's Congresses, and governments. Third, concentrate energy and time and launch the campaign of clearing up accumulated cases. Fourth, positively handle the cases on a commissioned and cooperative basis. [passage omitted]

G. Participation in Overall Improvement of Social Order

1. Following the formulation of the "decision on strengthening the overall improvement of social order," respectively made by the CPC Central Committee and the State Council and the National People's Congress Standing Committee in 1991, the people's courts at various levels paid more attention to and engaged themselves in the overall improvement of social order and educated the cadres and policemen to put the trial work into the system engineering of comprehensively improving social order. [passage omitted]

2. In the past five years, the pace of reform, opening up, and economic construction was ceaselessly accelerated. To suit the demands of the situation and to ensure the smooth fulfillment of the trial tasks, the courts at various levels ceaselessly intensified self-reform and self-construction, continued to improve the law enforcement activities, and upgraded the law enforcement quality. We paid prominent attention to the following few measures:

First, we ceaselessly sought unity of thinking, upgraded our understanding, and persistently made the trial work serve the economic construction. [passage omitted]

Second, we persistently and strictly enforced laws and continued to improve the law enforcement activities. [passage omitted]

Third, we strengthened the building of the cadres and policemen ranks and upgraded the quality of cadres and policemen. [passage omitted]

Fellow deputies: In the past five years, under the leadership of party committees and the supervision by the People's Congresses and with the support of the governments, the people's courts at various levels made proper achievements. However, some problems still existed. Major indicators were as follows: we still lagged behind in bringing into play the functions for serving reform, opening up, and economic construction. Some cases were not appropriately or timely handled because the nature of the cases were not accurately determined. A small number of cadres and policemen accepted bribes and invitations to dinners extended as bribes, even violated discipline and laws, and damaged the image of the people's courts. We should adopt effective measures to conscientiously solve these problems. Some courts had strains on capital and communications means and had poor working conditions. We hoped that the departments concerned should help solve these problems.

3. The 14th Party Congress urged to speed up the pace of reform, opening up, and modernization and to make a big success in building socialism with Chinese characteristics. The primary task of the people's courts now and in the foreseeable future is to conscientiously study and implement the guidelines of the 14th Party Congress and the guidelines of the First Session of the Eighth National People's Congress, to further emancipate the mind, to renew ideas, to comprehensively strengthen the trial work, to serve the enforcement of laws, to positively engage in the overall improvement of social order, and to better serve the economic construction.

First, we should resolutely implement the principle of grasping reform, opening up, and economic construction with one hand and grasping the struggle against economic criminals with the other and being sure that both hands are hard; strictly deal blows to various criminal offenders and various economic criminals; and create a stable social environment for reform, opening up, and economic construction. [passage omitted]

Second, we should bring into full play the functions for trial of economic cases, further intensify the awareness of service, and escort the progress of economic construction, reform, and opening up. [passage omitted]

Third, we should further strengthen the trial of civil, administrative, and accusation cases; intensify the enforcement of laws; and promote social stability and unity. [passage omitted]

Fourth, we should positively participate in the overall improvement of social order. [passage omitted]

Fifth, we should further strengthen the construction of the cadres and policemen contingents. [passage omitted]

Fellow deputies: Under the new situation of speeding up reform and expanding the scale of opening up, the people's courts are confronted with extremely arduous tasks. We should conscientiously implement the guidelines of the 14th Party Congress, further emancipate the mind, renew the ideas, be inspired with enthusiasm, be united, bring into full play the functions for trial of cases, and positively and initiatively make greater contributions to speeding up the pace of reform and opening up and building an economically powerful province.

This work report will be submitted to the session for examination and approval.

Inner Mongolia Cracks Case of Forged Banknotes
SK2806061393 Hohhot NEIMENGGU RIBAO in Chinese 28 May 93 p 1

[By correspondent Wang Hong (3769 4767): "Wuhai City Discovers 8,000 Yuan in Forged Banknotes"]

[Text] A few days ago the Wuhai city public security organ solved a case of counterfeit banknotes and found more than 8,000 yuan in forged banknotes, including 50-yuan and 100-yuan banknotes.

When criminal Sun Changchun returned to his old home in Henan last Spring Festival, he was told that Gao Jingyi, who was living in Pingtai Township in Shangqiu County, made money by dealing in forged banknotes. He found Gao and secretly plotted with him to deal illegally in forged banknotes. In March they went to Shizuishan and tried to use the counterfeit money, but they were discovered. Then they used the counterfeit money in Wuhai and spent nine 50-yuan banknotes. After receiving the report, the Bohaiwan District public security subbureau of Wuhai city acted immediately, arrested Criminal Sun in the act of dealing in forged banknotes, arrested Criminal Gao Jingyi at an individually-run inn, and then discovered more than 7,000 yuan in forged banknotes. This case is under investigation.

Northeast Region

Jilin Secretary Inspects Jilin, Shulan, Yushu
SK2806110693 Changchun JILIN RIBAO in Chinese 30 May 93 pp 1, 8

[By correspondent Guo Yuxue (6753 3768 1331): "Find Out the Correct Position, Promote Our Strong Points, Accelerate Development, and Make More Contributions"]

[Text] In order to promote the implementation of the strategic task on building a developed border province near the sea defined by the sixth provincial party congress and to accelerate the pace of reform, opening up and economic construction, He Zhukang, secretary of the provincial party committee, continued to make investigation and study at the grass roots. On 24-28 May, he successively inspected the high and new technology industrial development zone in Jilin city and some state-owned enterprises, township enterprises, rural diversified undertakings as well as primary and middle schools in Shulan and Yushu cities, held forums with enterprise management personnel, workers, peasants, teachers, and grass-roots cadres on several occasions on how to change the operational mechanism of state-owned enterprises, raise the economic efficiency of enterprises, reduce peasants' burdens, develop diversified undertakings, popularize the nine-year compulsory education, raise the teaching quality, and strengthen the building of party style and a clean government, extensively listened to their opinions, demands and voice, and explained to them the guidelines of the sixth provincial party congress and related policies.

Comrade He Zhukang listened to work briefings given by the Jilin city party committee, the Shulan city party committee, and the Yushu city party committee. He fully affirmed the work done by these areas in implementing the guidelines of the sixth provincial party committee in line with their own reality and enthusiastically praised comrades of various localities for their active and enterprising spirit and creativity in their work. Comrade He Zhukang noted: In implementing the development strategy of building a developed border province near the sea, all of you have adopted a positive attitude, worked conscientiously and taken quick action. The situation is very encouraging. The current task is how to further deepen this work, to specify the requirements of this development strategy in line with the reality of various localities, to formulate overall plans and the objectives set for different stages, and to organize people to implement them as quickly as possible.

Wherever he went, Comrade He Zhukang enthusiastically publicized and explained to the masses of cadres the ideological connotation and major significance of the development strategy on building a developed border province near the sea. He said: We should comprehensively and correctly understand the major policy decision on building a developed border province near the

sea. First of all, this policy decision implies a major change in ideology, concept and work ideas and a major readjustment in our province's development strategy. Our province is far away from the coastal areas where the open policy has been implemented early and the commodity economy has been rapidly developed. Puzzled for a long time by the close inland ideology, it has lagged behind some advanced localities in its economic development level. Now, we have changed the point of view in pondering and approaching issues. We have served Northeast Asia and marched toward the Japan Sea. These can be embodied in the superiority of our geographic position, natural resources, and human aspect. Therefore, building a developed border province near the sea is actually aimed at building an open development strategy and closely linking our province's economy with the international market. The priority of building a developed border province near the sea is "development." It has a rich ideological connotation and a clear and definite objective and demands, implying a fairly high level in the development of the two civilizations. To realize this objective and attain these demands, our province will make its economy and all undertakings join the country's front rank, and thus, turn the geological meaning of building a border province near the sea into the economic meaning of building a border province near the sea. To realize the strategic objective of building a developed border province near the sea, we must give priority to expanding the degree of opening up and exert efforts in opening the border areas and reaching the sea. We should actively develop the socialist market economy, especially the export-oriented economy, raise the comprehensive national strength, and enable our province's economy to link with the international market and to become an economically developed, active, and advanced area in the northeast Asian economic cooperative zone. This is a glorious but arduous historical task and a systems engineering feat straddling the century. It is not only an affair of the border and coastal areas but also the bounden duty of all localities, various departments, and 25 million people across the province. We should consciously and accurately find out our position in this overall strategy, give play to our own superiority, seize the opportunity to accelerate development, and make due contributions. Currently, we should regard the work of pushing the economy to a new stage as a starting point and a practical step in building a developed border province near the sea, and grasp this work firmly and successfully.

Comrade He Zhukang stressed: The implementation of the development strategy of building a developed border province near the sea should be proceeded in close connection with the building of the socialist market economic system. The issue of prime importance is to persist in taking economic construction as the central task, seize the current hard-earned opportunity with a high sense of historical responsibility, try by all possible means to accelerate development, and promote the economy to enter a new stage in a quicker and better manner. However, the fundamental way of accelerating

economic development lies in deepening reform and expanding opening up, particularly opening up in all directions and at all levels. We should use opening up to bring along reform and opening up to promote development. Only by deepening reform and expanding the degree of opening up can we be able to solve the contradictions and problems on our way of advance, further emancipate the productive forces, promote the whole province's economy and social undertakings to develop in a coordinated, stable, speedy and sound manner, and realize a well-rounded cycle. In line with the demands of building the socialist market economic system, we should do a good job in changing the operational mechanism of state-owned large and medium-sized enterprises and follow the path of taking public ownership as the main body while developing the market economy. This is a major theoretical issue as well as an urgent and practical issue. On this issue, we should have courage to proceed from reality, be bold in emancipating the mind, consider "whether the move facilitates the development of socialist productive forces, whether it helps increase the overall national strength of a socialist country, and whether it brings about better living standards" as the sole criterion, seize the priorities, make breakthroughs in tackling difficult points, carry out our work creatively, and unceasingly open up a new situation. While changing the operational mechanism, state-owned enterprises should also conduct technological transformation and solve some historical problems left-over by history. Only thus can we be able to join in the struggle without any mental burdens, give play to our key role in the overall national economy with vigor and vitality, and show the superiority of the socialist system. While doing a good job in changing the operational mechanism of enterprises, we should firmly grasp the work of streamlining and changing the functions of state organs in line with the central and provincial plans.

Comrade He Zhukang said: Our party has always been concerned about the agricultural and rural issues. We should continue to comprehensively and deeply implement the party's various rural policies, realistically strengthen the foundation status of agriculture, adopt resolute measures, and reduce the irrational burdens of peasants. The task of reducing peasants' burdens has a bearing on the overall situation of consolidating the worker-peasant alliance and maintaining social stability. This is a major principle which we must unconditionally implement and carry out in all households as quickly as possible. The method of posting the "peasants' burden control cards" on the wall implemented in some localities is very good which can be popularized in the rural areas. Cadres at all levels should firmly uphold the principle of serving the people wholeheartedly, regularly visit peasant families, publicize the party's policies to them and listen to their opinions and demands. If possible, we should solve the rational demands of peasants as quickly as possible; and if it is impossible to solve them for the time being, we should explain the situation to them and make them understand it. To enable peasants to become prosperous as quickly as possible, it is not

realistic to merely plant grain crops. We should suit measures to local conditions, readjust the structure, actively develop diversified undertakings, vigorously develop township enterprises, and actively establish tertiary industry. Meanwhile, we should develop and expand the rural collective economy. The village-level organs should have a collective income. The development of the collective economy and the development of the peasant family-based economy are identical. The development of collective economy will not only directly reduce peasants' burdens but also intensify the appealing and cohesion of the collectives. It can provide a reliable material guarantee for the rural party branches to carry out various tasks.

Comrade He Zhukang pointed out: We should persist in taking a two-handed approach. On the one hand, we should not slacken our efforts in strengthening and improving the party's leadership, and pay attention to building party style and a clean government and the building of the socialist spiritual civilizations. Our party has the status of ruling party. Whether it can uphold the two-handed approach and be tough in both and can simultaneously develop the two civilizations in the course of building socialism with Chinese characteristics has a bearing on the success or failure of reform and the major affair of social stability. Regarding this issue, we must stand on a higher plane and see for a far distance. We should implement the principle of democratic centralism, give full play to inner party democracy, mobilize the enthusiasm of all sectors, and resolutely implement the policy decisions formed by pooling the opinions of all. We should realistically strengthen the party's ideological and organizational construction, give play to the core leadership role as well as the fighting bastion role of party organizations, and give full play to the vanguard and exemplary role of party members. In the party, we should pay attention to party spirit, principle, and the party's purpose. It is necessary to strengthen the party's leadership, particularly the leadership over economic work, and combine it with the work of making party committees support the governments and separating government functions from business management, and accumulate and create the new experience of the party in leading economic work under the new situation of developing the socialist market economy. We should pay attention to summing up the typical examples of universal significance and popularize them in an effort to raise the leadership level of cadres at all levels. We should be good at analyzing and controlling the situation and fully use the favorable conditions; be good at grasping the symptoms of tendencies, provide persuasion in a timely manner, and reduce minor miscalculations while avoiding major ones. Under the current situation in which difficulties in economic work are fairly great, cadres at all levels should all the more change their work style realistically, simplify meetings and documents, devote more energy to giving face-to-face leadership to the grass roots, and help the masses

solve difficulties in their production and living. Whence comes the prestige of cadres? First, they have achievements in their political work and are capable of opening up a new situation; second, they are highly disciplined, clean and honest and have served as examples for the people. If we achieve in these two points, we will win the trust and support of the masses. Otherwise, the relationship between the cadres and the masses will be harmed and the party's image will be affected. We should strengthen ideological and moral education, comprehensively improve social security, and create a good external environment for developing the economy, reform, and opening up.

Comrade He Zhukang said: Judging from the general situation, our province's current economic situation and opportunities are good. Although it has many favorable factors, it also has great difficulties. We should enhance spirit, strengthen confidence, use the building of a developed border province near the sea to unify the ideology and action of the people across the province, boost the enthusiasm of all sectors, promote the strong points and avoid shortcomings, tap potential, and win great victory in reform, opening up and economic construction.

Su Rong, member of the Standing Committee of the provincial party committee and secretary general of the provincial party committee; and responsible comrades of the General Office of the provincial party committee, the research office of the provincial party committee, the Changchun city party committee and the Jilin city party committee, also participated in the investigation and study.

Jilin Economic Zone To Establish Customs Office

SK3006084293 Changchun JILIN RIBAO in Chinese
10 Jun 93 p 1

[Text] With the approval of the State General Administration of Customs, the Changchun Economic and Technical Development Zone will set up its own customs office and enjoy the preferential policies given by the state to the economic and technical development zones for importing or exporting goods.

These preferential policies include that the economic and technical development zone will be exempted from paying taxes in its imported machines and equipment for building its infrastructures and in its imported materials for its capital construction. Enterprises in the economic and technical development zone will be exempted from paying taxes in their imported building materials for their own uses, in their imported productive and managerial equipment as well as productive fuel, in their imported vehicles and traffic means with a rational volume as well as imported office necessities, and in their imported parts and fittings for the maintenance and repair of aforementioned machines and equipment. Administrative organs, establishments, and units in the economic and technical development zone will be exempted from paying taxes in their imported building

materials and traffic means with a rational volume and for their own uses and in their imported office necessities and managerial equipment. Enterprises in the economic and technical development zone will be exempted from paying taxes in their imported raw materials, parts and fittings, and original machine parts that are specially used for turning out export products; in their imported packing materials for export products; in their imported materials for tourist food services; and in their imported fodder for the foreign-funded raising enterprises. Enterprises in the economic and technical development zone will be exempted from paying the customs duties in exporting their products.

The customs office will be set up in the Changchun Economic and Technical Development Zone. The administration and personnel affairs of the customs office will be affiliated with the Changchun City Customs Office. Prior to the formal establishment of the office, the Changchun City Customs Office will act on its behalf.

With the approval of the State Commission for Economics and Trade, the Changchun Economic and Technical Development Zone will establish its import and export company and enjoy the right of imports and exports in the foreign trade.

Liaison Office to GATT To Open 15 Jul
OW2906151893 Taipei CNA in English 1435 GMT 29 Jun 93

[Text] Geneva, June 29 (CNA)—The Republic of China [ROC]'s liaison office at the General Agreement on Tariffs and Trade (GATT) headquarters in Geneva will be inaugurated July 15, a Taipei representative said Tuesday [29 June].

Chen Jui-lung, director of the Taipei Trade Office in Zurich, the ROC representative office in Switzerland, said the Swiss Government has approved an ROC application to open a liaison office in Geneva to facilitate its bid to join GATT as a separate customs territory.

Chen said the office, will be located in a high-rise office building near Geneva International Airport.

Chen will concurrently head the new office which will be manned by two staffers in the initial stage.

The Swiss Government has granted diplomatic status to officials of the soon-to-be-opened Taipei GATT liaison office, Chen reported. The officials are also allowed to use diplomatic automobile license plates.

Switzerland is the first European country, except for the Vatican, to allow ROC officials to use diplomatic automobile license plates on its territory since Taipei withdrew from the United Nations in 1971, Chen said.

Taipei applied to join GATT in 1990 under the name of "Taiwan, Penghu, Kinmen and Matsu Customs Territory."

The international trade regulatory body has set up a working party to screen Taiwan's membership bid.

A large Taipei delegation, headed by Vice Economic Affairs Minister Sheu Ke-sheng, is currently in Geneva to answer questions fielded by GATT contracting parties about Taiwan's trade regime and other related affairs.

To enter the organization, Taipei must obtain the support of two-thirds of GATT contracting parties.

New Group To Promote Economic Ties With Japan

OW2906123593 Taipei CNA in English 0808 GMT 29 Jun 93

[Text] Taipei, June 29 (CNA)—In a new bid to help address trade problems between Taiwan and Japan, the Sino-Japanese Economic and Trade Foundation was established Tuesday [29 June].

Taiwan has suffered a chronic trade imbalance with Japan. The deficit, which totaled US\$12.9 billion last year, is expected to top US\$15 billion this year.

C.F. Koo, chairman of the Chinese National Association of Industry and Commerce, was elected the first president of the new foundation.

Those elected to the 15-member board of directors include Chairman Hsu Yuan-tung of the Bank of Taiwan, Chairman Huang Shih-hui of San Yang Industrial Co., Ltd., Chairman Y.F. Chang of Evergreen Marine Corporation (Taiwan) Ltd., Director-General Huang Yen-chao of the Board of Foreign Trade, and Chairman Wang Chang-ching of the China External Trade Development Council.

Addressing the inaugural ceremony at the Taiwan cement building, Koo pledged that the foundation would do its best to coordinate the efforts of various domestic agencies to promote trade ties with Japan.

The foundation will seek investments and advanced technologies from Japan, host large-scale business meetings, and publish a monthly magazine detailing trade opportunities, he elaborated.

Nation 'Far Behind' Japan in Nuclear Development

OW2906130093 Taipei CNA in English 0759 GMT 29 Jun 93

[Text] Taipei, June 29 (CNA)—The Republic of China lags far behind Japan in nuclear energy development despite the fact that Taiwan's future power demand exceed those of Japan, the Taiwan Power Company (Taipower) said Tuesday [29 June].

Between 1992 and 2001, the ROC plans to develop 18.77 million kilowatts of power with a growth rate for electricity demand topping 6.4 percent. Japan, however, plans to develop 75.95 million kilowatts at a demand growth rate of only 2.3 percent.

Thus, the ROC's energy demand is triple that of Japan, Taipower officials said.

Officials added that Japan is actively promoting nuclear power, with 43 nuclear power generators already operational and 10 under construction. Taiwan currently has only six nuclear power generators and is scheduled to install two more.

Hsiao Tien-chan Inaugurated as CNA Chairman

OW2906125993 Taipei CNA in English 0801 GMT 29 Jun 93

[Text] Taipei, June 29 (CNA)—Former Justice Minister Hsiao Tien-chan took over as the chairman of the CENTRAL NEWS AGENCY Tuesday [29 June] in a ceremony held at the CNA head office.

Hsiao succeeded Joe Hung, who has been appointed the Republic of China representative to Italy.

Hsiao, 59, of Chiayi County, graduated from the Law Department of National Taiwan University. He has been a teacher, prosecutor and legislator and is currently a national policy adviser and a member of the Central Committee of the ruling Kuomintang.

Hong Kong

PRC Releases Proposal for 1994-95 Elections

HK3006072593 Hong Kong MING PAO in Chinese 30 Jun 93 p 2

[Report: "The Chinese Side Has Proposed Electoral Arrangements Aimed at Breaking the Deadlock, and Chris Patten Has Brought Them to London for Consultation With Senior British Leaders"]

[Text] The Sino-British talks on the 1994-95 election arrangements have entered a brand new stage, because at the recently concluded sixth round of talks, the Chinese side formally presented the British side with the election arrangements that it prefers, thus providing a basis for concrete bargaining during the talks.

Sources from the British side have said that when Hong Kong Governor Chris Patten returned to London for consultations yesterday, he brought the Chinese side's constitutional proposals with him for discussions with high-level British authorities to get their opinion.

The sources explained: The governor said the other day that the sixth round of talks was more fruitful than all previous talks, because the Chinese side offered some concrete suggestions for the constitutional arrangements, thus providing a basis for discussion between the two sides at the negotiating table. In the past, British officials had consistently criticized the Chinese side for rejecting Patten's constitutional reform package but being unwilling to offer any suggestion themselves.

The sources said: The Sino-British discussions did not reach a substantial stage until the fifth and sixth rounds. Before that, the Chinese side had failed to come up with concrete suggestions on the constitutional package. Because the British side had not received a counterproposal, it was in no position to put forward any suggestions differing from Patten's constitutional reform package; otherwise it would have been difficult to explain to the people of Hong Kong. This caused the slow progress at the talks.

Nevertheless, now that the Chinese side has offered concrete suggestions, the British side will consider how to revise Patten's proposals in accordance with these suggestions with a view to reaching an agreement with the Chinese side at an early date.

On the other hand, the sources on the British side said, by saying that the talks had made some progress, that the governor was implying that the Chinese and British sides have each taken a step forward but are still far from reaching a comprehensive agreement. He stressed that both sides will still have to face some difficulties, and the people of Hong Kong should look upon it with discerning eyes and should not be too optimistic.

It has been learned that the British side's "absolute bottom line" at the negotiating table is that the term of

office of Legislative Council [Legco] members elected in the 1995 elections may not be terminated in 1997 on political grounds, because, argued the British side, if people are forced to "get off the train halfway," Britain would not be able to account for this to the Western world, and there would be problems with the credibility of the future special administrative region government.

The informed sources pointed out: Because the Chinese side has strongly opposed the British side's request for a "through train" or the grounds that this would interfere in China's internal affairs, it will become the crucial point of future talks.

Sources on the Chinese side told our reporter: As early as last summer—even before Chris Patten issued his constitutional reform package in October—Xu Ze, deputy director of the Second Department of the State Council's Hong Kong and Macao Affairs Office, took a group of staff members to Hong Kong to collect Hong Kong people's opinions on constitutional reform. Xu then formulated a proposal for election arrangements which represented the Chinese side's approach to be discussed with the British through the Sino-British Joint Liaison Group. Patten's package disrupted China's plan. Because of the changed circumstances, the substance of the proposal currently being made is not entirely the same as the one that was drawn up at that time.

UK Cabinet Plans Session

HK2906141693 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1140 GMT 29 Jun 93

[Feature by reporter Hong Wen (1738 5113)]

[Text] Hong Kong, 29 Jun (ZHONGGUO TONGXUN SHE)—The sixth round of Sino-British talks on arrangements for the 1994-95 elections have concluded. According to a British source, some progress was made during the talks. Before the next round of talks, Britain will call a special cabinet meeting. This action has caused great concern among Hong Kong residents.

No agreement has been reached since the beginning of the Sino-British talks, during which Hong Kong residents have been patiently waiting to see any change in the situation. However, it is not difficult to find out which side has said one thing and done another and laid roadblocks to the talks by frequently making "false starts." Reviewing the contents of Chris Patten's interview with the press, in addition to Chris Patten's very important role in the Sino-British talks, as [UK Ambassador to Beijing] McLaren described, all signs showed that the British side has all along insisted on Chris Patten's constitutional reform package. In other words, the British side has not earnestly unfolded the talks on the basis of the "three conformities," as it has promised.

On the other hand, based on its persistent criterion of maintaining the prosperity and stability of Hong Kong while strictly observing the "three conformities," the Chinese side has actively created a sound atmosphere for

the talks by adopting a practical attitude to make progress on such issues as the 1993-94 plan for approving land leases and three franchised contracts straddling 1997, including cable television, and the franchise for the western tunnel to the new airport so that the talks would accomplish something. Nevertheless, despite the Chinese side's goodwill, the British side has done nothing in return but instead reached out for a yard after taking an inch, while repaying good with evil. First, Alastair Goodlad, Foreign Office minister with special responsibility for Hong Kong, Southeast Asia, Australia, and the Pacific, said that even if the current talks yield some results, the Legislative Council could veto or revise it. Then the British Foreign Ministry spokesman stated that the seven letters between the Chinese and British foreign ministers "were not agreements." In short, the agreement on the Sino-British talks could be vetoed and past commitments could be overturned. What is more, the British side deviated from the topic on the agenda and asked a sky-high price. As disclosed by Chris Patten in his special interview with the media, the demands that the British side had set out during the talks included the unconditional through train, participation in work of the Preparatory Committee for the Special Administrative Region [SAR], and intervention in the method of producing the SAR chief executive. Should the talks get entangled in all those matters straddling 1997 that concern China's sovereignty, on which side would the responsibility fall? This should not be too difficult to answer.

Hong Kong residents saw all this and are worried. All of them hope that the two sides will score results in their talks as quickly as possible on the principle of the "three conformities," as both have promised, and at the same time, they cannot but worry about some people who fundamentally do not want to reach an agreement too soon and are unwilling to see their "political masterpiece" be dumped into the garbage can, while being bent on playing another game in the spirit of "seizing the moment."

Reviewing the recent situation, Hong Kong residents' worry is not without grounds. Ill omens have surfaced one after another, even before the British special cabinet meeting is called. For example, news spread from Britain not long ago that the British side had decided to make early October the deadline for the talks and that the British side would end the talks should no agreement be reached by then.

As of now, the ball is still in the British court, and people yearn to hear news from London that the British side will change its attitude and return to the right track. We hope that the British statesmen will make a wise decision.

UK Official on Airport Talks' 'Slight Progress'
HK3006075093 Hong Kong AFP in English 0623 GMT
30 June 93

[Text] Hong Kong, June 30 (AFP)—China and Britain held another round of talks on financing Hong Kong's

mammoth new airport Wednesday [30 June], with the British side saying afterwards that slight progress had been made. "We've carried our discussions a little further on financial arrangements for the airport and the airport railway," Anthony Galsworthy, Britain's envoy to the Sino-British Joint Liaison Group (JLG), told reporters. "I think we're perhaps edging forwards," he added, without elaborating.

Work on the 21 billion U.S. dollar Chek Lap Kok airport and related facilities—one of the biggest public works projects in the world today—risks falling behind schedule as a result of Chinese anger over Governor Chris Patten's political reform proposals for Hong Kong.

Wednesday's meeting of the JLG's airport committee was only the second since airport talks resumed June 4 after a seven-month break. Galsworthy had cautioned beforehand not to expect an immediate final agreement. It also came a day ahead of a London conclave between Patten and Prime Minister John Major to review British strategy at slow-going talks in Beijing on political reform in Hong Kong, which enter round seven on Monday. Hong Kong reverts to Chinese sovereignty four years from Thursday.

PRC Halts 'Plan' To Send Warship To Visit
HK2806132093 Hong Kong HSIN PAO in Chinese 26
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[("Hong Kong Pulse" column by Yu Chin-hsien (0151 6930 6343): "Plan for Chinese Naval Vessel To Call on Hong Kong Called Off"]

[Text] As the issue of Hong Kong's future emerged, Hong Kong people were easily upset, and many topics of conversation were taboo, about which Beijing could speak as it wanted. For example, in the past they were very vague on such issues as intervention in the British Hong Kong administration, the stationing in Hong Kong of PLA [People's Liberation Army] troops, and criticism of Hong Kong Government officials, but now it brazenly discusses the issues and sometimes even vehemently criticizes Hong Kong officials by calling them names. This is a change.

The same thing goes for the issue of stationing troops. During the talks on the issue of Hong Kong's future, Geng Biao made erroneous remarks on the issue of stationing troops and was sharply denounced by Deng Xiaoping, and since then the issue has become an extremely sensitive topic.

It was only recently that, through various information, the Chinese side revealed the conception of troop stationing after 1997, including the number of personnel, locations, and the supreme leader of the garrison troops. It seems that an initial plan is already in place.

Xu Huizi, a high-ranking PLA general officer, was on the list of names of the preliminary work organ for the Preparatory Committee of the Hong Kong Special

Administrative Region which was announced recently. Xu, a PLA lieutenant general who joined the Army in 1948, took part in the Peiping-Tienchin campaign and the War To Resist U.S. Aggression and Aid Korea in the 1950's, had rich practical combat experience, and, moreover, had been deputy chief of the PLA General Staff since 1985.

In fact, at the end of the 1980's, the PLA sent a delegation to Hong Kong to inspect the places where the British troops were stationed. However, their visit was kept highly secret with a view to not irritating Hong Kong people.

At the beginning of next month, many institutions that have connections with the Chinese military will come to Hong Kong to attend an investment opportunity seminar called "a conversion of the defense industry to civilian production."

It has been learned that to liven things up for the opening of the seminar, the Chinese military planned to send a naval vessel to Hong Kong on the same opening day. It was to berth at the HMS Tamar, and residents would be allowed to go on board for sightseeing in the way that visiting British and U.S. warships entertain Hong Kong residents.

However, the Hong Kong Government politely refused the plan for a Chinese naval vessel to call on Hong Kong because the government probably deemed it too sensitive. One theory said that the Hong Kong Government would not allow the naval vessel to enter Hong Kong because it carried nuclear weapons. There were many theories on the issue, but the outcome was that the vessel could not appear in Hong Kong.

Hong Kong people's ability to withstand psychological strains has become much greater than 10 years ago. Now Hong Kong people have become used to hearing criticisms of the Hong Kong Government by the XINHUA news agency which would have caused a shock in the past, and they will mostly not object to them. Even though the various PLA units would "bear down on the border" next week, this would be nothing extraordinary to the Hong Kong people.

Bank Analyzes Effect of PRC Economic Situation
HK2906065293 Hong Kong SOUTH CHINA MORNING POST in English 29 Jun 93 p 1

[By Ray Heath]

[Text] Action by China to cool down its economy will put the brakes on Hong Kong, hitting property prices and the stock market, the Hang Seng Bank warned yesterday.

It said, however, the damage was unlikely to show through this year.

Escalating inflation and what the Beijing Government describes as breakneck economic growth mean the mainland's economy is approaching another peak of its stop-go business cycle, the bank says in its latest economic report.

"In the circumstances, the latest chain of events is genuine cause for concern for Hong Kong," it adds.

The bank's warnings were reinforced by confirmation that the Beijing Government's finances were deeply in the red again last year.

The budget deficit reached 23.66 billion yuan (U.S.\$4.12 billion) last year, or 2.88 billion yuan (U.S.\$501 million) more than planned, Finance Minister Liu Zhongli told the Standing Committee of the National People's Congress yesterday.

It was China's seventh straight record deficit, and Mr Liu blamed the deeper plunge into the red on China's high economic growth rate last year, which spurred demand for funds.

The size of the deficit underlines the need for firm action to bring the growth rate down to more manageable levels, and Hang Seng Bank calculates the necessary action could mean a reduction of between one or two percentage points in the growth of Hong Kong's Gross National Product.

The final impact would depend on how tough China was prepared to be, and the effect was unlikely to be felt this year, according to the bank's economists, who are still pencilling in 5.5 percent growth for 1993.

By 1994, however, the brakes could be on.

A similar figure is being forecast by the Bank of China, but its latest quarterly report goes on to take a much more rosy view of Hong Kong's growth, and argues that the impact of any Chinese economic measures will be limited.

While some analysts agree that Hong Kong is largely insulated from some of the recent measures taken by the Chinese authorities, Hang Seng points out that the partnership between the two countries is now too close for Hong Kong to avoid repercussions from wider measures.

The bank's figures show that in 1990, 25 percent of Hong Kong's output was attributable to the China factor. In 1980, the figure was just five percent. As 46 percent of Hong Kong's total exports to China are for its domestic market, any damage to shopper's wallets which result from Beijing's attempts to slow demand on the mainland would hit cross border trade.

"Given Hong Kong's current extensive economic relationship with China, virtually all sectors of the economy will be adversely affected by the latest developments in the mainland," the bank said.

If Beijing came down even harder it would be bad news for investors in property and the stock market. They are at risk because China has been a major source of funds to Hong Kong banks. In the first quarter of this year, the amount of China's funds deposited with Hong Kong banks was estimated by Hang Seng to be \$75 billion [Hong Kong dollars].

A sudden drying up of the cash flow from the mainland could lead to a shortage of funds in the local banking system, argues the bank.

"If materialised, this development will undercut the surges in Hong Kong's stock and property prices."

The good news in the Hang Seng report is that the damage will not be permanent.

It concludes that China's problems are mainly cyclical, and the present problems are unlikely to derail the country from its long-term growth trend.

The Bank of China is also optimistic about the effects of politics on Hong Kong's economy.

Apparently indicating that business will come before politics, it says the effects of the Sino-British row will fade away during the second half of the year.

In what could be seen as a signal to the stock market and business community that China will not allow its differences with Governor Chris Patten to affect Hong Kong's future, it predicts an early agreement over the airport project, and says that even if differences between the two governments persist, it will not harm the long term future of the territory.

Second Bank Gives Warning

HK3006032593 Hong Kong *SOUTH CHINA MORNING POST (BUSINESS POST)* in English 30 Jun 93 p 1

[By Chris Chapel]

[Text] Standard Chartered Bank has joined the ranks of influential institutions warning of severe damage to the Hong Kong economy from a hard landing in the overheated Chinese economy.

The bank said Hong Kong's gross domestic product growth would drop by at least 1.1 percent if the Chinese economy fell sharply in an abrupt downward adjustment.

Indirect knock-on results of the fall in growth, such as a drop in consumption or investment spending, would have a downward snowball effect and the actual GDP [gross domestic product] cutback could be far greater.

This estimate is in line with an opinion released on Monday [28 June] by Hang Seng Bank.

However, Standard Chartered was far more graphic in its doomsday scenario of a "hard landing" for the Chinese economy, raising the spectre of large scale asset sales by China enterprises in Hong Kong if they had to raise funds in a hurry.

The bank noted that mainland investors had become the dominant foreign investment power in Hong Kong, particularly in real estate and the stock market.

"If there is a significant monetary tightening in China, some of the Chinese enterprises may experience liquidity problems and consequently have to stop their investment plans in Hong Kong.

"Some of them may even liquidate their investments in Hong Kong. The downward pressure on local property and share prices so generated could, in turn, adversely affect real economic activities in Hong Kong."

Hong Kong consumer confidence could also suffer from social unrest coinciding with a mainland economic crisis.

The strongest area of impact of a hard landing would be on Hong Kong's trade with China.

Exports to China of goods for outward processing would not be severely affected since their ultimate markets are overseas, but exports to China for domestic use, which totalled \$130 billion or 14 percent of total exports last year, would be "severely undermined" the bank says.

The bank estimated that the direct value-added contribution of this category of exports to the local economy was about 2.8 percent of GDP last year.

Since China's imports had fallen severely during the three most recent economic downturns which began in 1980, 1985 and 1988, they were very likely to repeat the performance next time.

The bank's estimate of cutback in GDP growth was based on the assumption that the current year-on-year growth rate of exports to China for domestic use would fall to zero.

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